Registre de Commerce et des Sociétés
B118349 - L150095046
déposé le 03/06/2015

MENTION

Nom de la Société :	PayPal (Europe) S.à r.l. et Cie, S.C.A. *Société en commandite par actions*
Siège social :	22-24, Boulevard Royal L-2449 Luxembourg
N° du Registre de Commerce :	B 118.349
N° CDO:	253

Les comptes annuels au 31 décembre 2014 ont été enregistrés et déposés au registre de Commerce et des Sociétés de Luxembourg,

Pour mention aux fins de publication au Mémorial, Recueil des Sociétés et Associations.

Signature

Registre de Commerce et des Sociétés
B118349 - L150095046
enregistré et déposé le 03/06/2015

PayPal

PayPal (Europe) S.à r.l. et Cie, S.C.A.

Financial Statements
for the year ended December 31, 2014

R.C.S. Luxembourg B 118.349
22-24 Boulevard Royal
L-2449, Luxembourg

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Supervisory Board

Internal non-executive members

- John McCabe – Senior Vice President, Customer Service and Operations (PayPal Inc.)
- Tony Glasby – Vice President, Treasurer (eBay Inc.)

External non-executive members

- Norbert Becker (Member until July 31, 2014 and chairman since August 1, 2014)
- David Bennett (Since February 1, 2014)
- Lord John Birt – Chairman (Until July 31, 2014)
- Christian Maurin (Until April 1, 2014)
- Dominique Reiniche (Since June 30, 2014)

Management Board

- Rupert Keeley – Senior Vice President, Chief Executive Officer
- Nicholas Staheyeff – Vice President, Chief Financial Officer
- David Ferri – Senior Director, Legal
- Richard Swales – Senior Director, Chief Risk Officer

Report of the Supervisory Board

To the shareholders of PayPal (Europe) S.à r.l. et Cie, S.C.A.

We are pleased to report that the Supervisory Board has approved the financial statements as of December 31, 2014 upon which the external auditor intends to issue an unqualified opinion.

During the year, the Supervisory Board has overseen the launch of the Bank's new European credit products, the implementation of BASEL III regulatory requirements, and management of the Bank's Balance Sheet through an appropriate investment policy.

We recommend to the shareholders to approve the financial statements and propose the following appropriation of 2014 profit:

- Legal and other reserves: USD 17.7m
- Profit to be carried forward: USD 104.4m

Norbert Becker
Chairman of the Supervisory Board

Management Report of the General Partner

1 2014 Market Developments

PayPal continued to deliver great product experiences that offer choice and flexibility for consumers and help merchants grow their business. Increased consumer adoption and expanded merchant coverage continued to drive strong results. Also PayPal continues to lead in the dynamic and competitive mobile payment space.

Credit initiatives in United Kingdom kicked off during 2014. These allow merchants to increase their volume by providing financing choices to consumers and improves the Bank's ability to manage its transaction expense. In addition, the Bank leveraged its credit business and launched a working capital program in United Kingdom to give small and medium businesses access to the capital they need to grow their business.

Since January 2014, PayPal (Europe) S.à r.l. et Cie, S.C.A. (the "Bank") has to comply with Basel III requirements. These new and additional requirements have been anticipated and thus did not affect the structure and strategy of the Bank. During the year, the Bank remained highly liquid, with strong regulatory metrics and performed in line with its risk and operating plans.

During the year ended December 31, 2014, the Bank did not conduct any research and development activities. The Bank did not have any branches, and the Bank did not own its own shares.

There have been no circumstances or events subsequent to the year-end which require adjustment to or disclosure in the financial statements or in the notes thereto.

2 2014 Performance and Financial Highlights

Net profit for the year ended December 31, 2014 amounted to USD 122.1 million, an increase of 22% compared to 2013 (USD 99.6 million), thanks to the strong growth in credit and e-money businesses.

During the year 2014, PayPal continued to drive strong consumer engagement, adding nearly 17 million active accounts for the European Union in 2014 and processing record payments volume.

At the close of business on December 31, 2014, the assets of the Bank totalled USD 6.3 billion (2013: USD 5.2 billion). In accordance with the Capital Requirements Regulation (575/2013) and CSSF Regulation 14-01, banks must have a combined Tier I and Tier II capital ratio of at least 10.5% and the solvency ratio was 84%.

3 2015 Outlook

In September 2014, the Board of Directors of eBay Inc, decided to separate the company's eBay and PayPal businesses into independent publicly traded companies in 2015. This decision has been made following a strategic review of the group's growth strategy and structure.

By creating two standalone businesses, eBay and PayPal will capitalize on their respective growth opportunities in the rapidly changing global commerce and payments landscape, and will be the best path for creating sustainable shareholder value.

In 2015, Total Payment Volume (TPV) is planned to maintain a strong growth while take rate pressure will continue to be offset by lower operating expenses allowing for margins to be maintained at the same level as previous years.

The Bank will continue its credit product expansion through Europe in 2015.

4 Risk and Capital Management

The management of the Bank's business and execution of the Bank's strategy are subject to a number of risks. Risks are formally reviewed by the Audit, Risk and Compliance Committee of the Bank and appropriate processes are in place to monitor and mitigate these risks.

The Supervisory and Management Boards operate an Enterprise Risk Management ("ERM") framework for identifying, analysing, monitoring and controlling the risks that they perceive to be the most critical to the business, as per the Bank's annual risk assessment. The Bank has various service level agreements with affiliated companies and the service level performance under these agreements is closely monitored by the Bank's Outsourcing Management ("OSM") function.

The risk and capital planning policies and limits are set by the Supervisory and Management Boards and monitored at regular meetings. In addition, the Bank is represented at the PayPal Asset and Liability Committee ("PALCO") which meets regularly to review the eBay group funding and liquidity strategy and needs as well as asset and liability management and related risks in the context of business initiatives and market conditions.

The Audit, Risk and Compliance Committee and Supervisory Board are informed through monthly reports and quarterly meetings about the Bank's results of operations, financial position, business strategy and risk exposures.

The Bank purchases all new originations of PayPal Credit (formerly known as BML) and PayPal Working Capital ("PPWC") receivables on new accounts directly from an US chartered financial institution. These activities are respectively called the "PayPal Credit US Program" and "US-SMB Program". For the purpose of these two activities, the Bank increased its Tier I capital base in 2014 and was sufficiently capitalised to cover identified exposures and funding needs.

The Bank also followed the European Banking Authority's ("EBA") recommendations for sound liquidity risk management and supervision, as set in the "Second Part of CEBS's Technical Advice to the European Commission on Liquidity Risk Management", eighteen of which are also enclosed in the CSSF Circular 09/403.

Detailed information on the management of the main risk categories are provided in the notes to the financial statements.

5 Additional risk disclosures in accordance with Pillar III of Basel III

5.1 Own funds

Please refer to note 5.2 "Capital adequacy" in the notes to the financial statements.

5.2 Adequacy of internal capital

As part of Pillar II of the Basel III capital accord and as per CSSF Circular 07/301 as amended, and based on the Bank's ICAAP report, the Bank had sufficient capital to cover the risks taken throughout the year 2014.

5.3 Risk weighted assets breakdown

The table below shows the risk-weighted exposure amounts by exposure classes, as defined in the EU Regulation 575/2013. Risk adjusted amounts correspond to amounts after application of a risk conversion factor and credit risk mitigation techniques such as bi-lateral netting agreements. Past due exposures on retail customers correspond to unsecured exposures that are past due for more than 90 days. The exposure values for counterparty credit risk attributable to derivative instruments (foreign exchange derivatives) are calculated according to the original exposure method and are included in the risk adjustment amount in the tables below.

In millions of USD 2014	*Risk adjusted amount*	*Weigting factor*	*Weighted exposure*	*Capital requirement*
Central government & central banks	421	0%	-	-
Multilateral Development Banks	341	0%	-	-
Public Service Entities*	275	20%	15	2
Institutions	2,213	20%	443	46
Retail customers	2,785	75%	2,088	219
Retail customers (Past due exposure)	89	150%	133	14
Corporate customers	195	100%	195	20
Other	38	100%	38	4
Total weighted assets	***6,358***		***2,912***	***306***

** Public Service Entities which are fully guaranteed by a central government of a member state are subject to a risk weight of 0%*

*In millions of USD** 2013*	*Risk adjusted amount*	*Weigting factor**	*Weighted exposure*	*Capital requirement*
Central government & central banks	178	0%	-	-
International organisations	30	0%	-	-
Institutions	2,580	20%	516	41
Retail customers	1,930	75%	1,448	116
Retail customers (Past due exposure)	14	100%	14	1
Corporate customers	212	100%	212	17
Other	33	100%	33	3
Total weighted assets	***4,978***		***2,239***	***179***

** Based on external credit assessment institution Moody's, institutions in Aaa to Aa3 rated countries are weighted at 20%.*
***2013 figures are disclosed in accordance with Basel II adopted by the CSSF in its circular 06/273 as amended*

The average amount of the risk-weighted exposure by exposure classes for the years ended December 31, 2014 and 2013 was as follows:

In millions of USD 2014	*Risk adjusted amount*	*Weigting factor*	*Weighted exposure*	*Capital requirement*
Central government & central banks	169	0%	-	-
Multilateral Development Banks	127	0%	-	-
Public Service Entities*	136	20%	55	6
Institutions	2,551	20%	510	54
Retail customers	2,319	75%	1,740	183
Retail customers (Past due exposure)	62	150%	92	10
Corporate customers	330	100%	330	35
Other	29	100%	29	3
Total	***5,723***		***2,756***	***289***

In millions of USD 2013	*Risk adjusted amount*	*Weigting factor**	*Weighted exposure*	*Capital requirement*
Central government & central banks	73	0%	-	-
International organisations	8	0%	-	-
Institutions	2,280	20%	456	36
Retail customers	1,562	75%	1,172	94
Retail customers (Past due exposure)	11	100%	11	1
Corporate customers	284	100%	284	23
Other	42	100%	42	3
Total	***4,260***		***1,965***	***157***

** Based on external credit assessment institution Moody's, institutions in Aaa to Aa3 rated countries are weighted at 20%.*

5.4 Credit risk and dilution risk

The table below shows the concentration of credit risk weighted exposures by geographic areas and economic sectors respectively as at December 31, 2014 and 2013.

In millions of USD	*2014*			
	Europe	*Americas*	*Asia Pacific*	*Total*
Central government & central banks	-	-	-	-
Multilateral Development Banks	-	-	-	-
Public Service Entities	-	15	-	15
Institutions	310	120	13	443
Retail customers*	38	2,050	-	2,088
Retail customers (Past due exposure)	-	133	-	133
Corporate customers	13	100	82	195
Other	38	-	-	38
Total weighted assets	***399***	***2,418***	***95***	***2,912***

** Impaired exposure*

In millions of USD	2013 Europe	Americas	Asia Pacific	Total
Central government & central banks	-	-	-	-
International organisations	-	-	-	-
Institutions	358	85	73	516
Retail customers	27	1,421	-	1,448
Retail customers (Past due exposure)	-	14	-	14
Corporate customers	11	16	185	212
Other	33	-	-	33
Total weighted assets	*429*	*1,536*	*258*	*2,223*

Geographic area breakdown is based on the country in which a subsidiary is established or, if a branch, where its respective "mother" is incorporated.

The residual maturity breakdown of the risk-weighted exposure by exposure class as at December 31, 2014 and 2013 was as follows:

In millions of USD	2014 Up to 1 month	1-3 months	3-6 months	6-12 months	Above 12 months	Total
Central government & central banks	-	-	-	-	-	-
Multilateral Development Bank	-	-	-	-	-	-
Public Service Entity	-	-	-	9	6	15
Institutions	301	52	90	-	-	443
Retail customers	2,088	-	-	-	-	2,088
Retail customers (Past due exposure)	133	-	-	-	-	133
Corporate customers	195	-	-	-	-	195
Other	38	-	-	-	-	38
Total weighted assets	*2,755*	*52*	*90*	*9*	*6*	*2,912*

In millions of USD	2013 Up to 1 month	1-3 months	3-6 months	6-12 months	Above 12 months	Total
Central government & central banks	-	-	-	-	-	-
International organisations	-	-	-	-	-	-
Institutions	389	124	-	3	-	516
Retail customers	1,448	-	-	-	-	1,448
Retail customers (Past due exposure)	14	-	-	-	-	14
Corporate customers	212	-	-	-	-	212
Other	33	-	-	-	-	33
Total weighted assets	*2,096*	*124*	*-*	*3*	*-*	*2,223*

5.5 Credit risk mitigation technique, balance sheet netting

The Bank entered into netting agreements with several entities of eBay. Those agreements meet the International Financial Reporting Standards ("IFRS") criteria for balance sheet offsetting. As at December 31, 2014, mutual claims between the Bank and those entities are effectively reported on a net basis in the statement of financial position.

5.5.1 Credit risk and solvency

The standardized approach election for credit risk allows the adoption of either the simplified or the comprehensive method for financial collateral treatment for capital adequacy purpose. The Bank elected for the comprehensive method.

5.5.2 Interest rate risk arising from non-trading activities

Please refer to note 3.4.1 "Management of interest rate risk" in the notes to the financial statements.

5.5.3 Currency volatility

Where the collateral is denominated in a currency that differs from that in which the underlying exposure is denominated, an adjustment reflecting currency volatility ("FX haircut") shall be applied to the market value of collateral in order to take into account price volatility.

For credit risk purposes, the Bank applies an 8% FX haircut for currency mismatches.

5.5.4 Maturity mismatch

Where the maturity of the collateral differs from the underlying exposure, an adjustment reflecting the maturity mismatch is to be applied.

Currently all mutual claims/payment obligations are due on demand and therefore there is no mismatch between the maturity of the exposures and the maturity of the related collaterals.

The table below shows the total exposure value that is covered by eligible financial collaterals as at December 31, 2014, and 2013.

In thousands of USD	*2014*	*2013*
Total exposure before credit risk mitigation techniques	***252,017***	***440,937***
Financial collaterals	150,066	250,252
Maturity adjustment	-	-
Foreign exchange adjustment	(9,160)	(16,668)
Financial collaterals after volatility adjustments	140,906	233,584
Total exposure after credit risk mitigation techniques	***111,111***	***207,353***

5.6 Encumbered and unencumbered assets

As at December 31, 2014 the Bank's did not hold encumbered assets.

5.7 External Directorship

As at December 31, 2014 three management board members held one directorship position outside eBay Group.

5.8 Remuneration Policy

5.8.1 Governance & Decision Making Process

PayPal (Europe) S.à r.l. et Cie, S.C.A. (the "Bank") is a subsidiary of PayPal Inc. whose ultimate parent company is eBay, a US company listed on NASDAQ. PayPal Inc. determines its compensation in accordance with the guidelines and framework set forth by the Compensation Committee of the Board of Directors of eBay. ("the eBay Inc. Compensation Committee") and its subsidiaries.

The Remuneration & Nomination Committee of the Bank (the "Committee") is a specialized committee comprising at least three members of the Supervisory Board who are not members either of the Authorized Management (Management Board) or of the Bank's staff. The Committee may invite the Bank CEO, the Global Head of HR (SVP) of PayPal Inc., the Compensation and Benefits Leader for EMEA region and the HR Leader for EMEA PayPal Business Unit or any other officer desired by the Committee or its chairperson to attend any meeting of the Committee.

The Committee meets in person at least once per year in Luxembourg at a time determined by the Committee Chairperson, with further meetings to occur when deemed necessary or desirable by the Committee and / or its chairperson. During the year ended December 31, 2014, the Committee met three times.

The Committee's primary function is to ensure the Supervisory Board and specialized committees of the Board have the required skills necessary for a regulated institution, including in relation to risk management, legal and regulatory compliance and internal control. It also provides assistance and guidance to the Supervisory Board of the Bank in fulfilling its oversight responsibilities with respect to the Bank's remuneration policy. The Bank's remuneration policy covers members of the Authorized Management, members of the Management Board, together with all key functional and Heads of Departments of the Bank and other Bank employees who have a material impact on the risk profile of the bank. In addition the Committee may evaluate and inform on the performance and remuneration of those categories of staff in Europe whose professional activities have a material impact on the risk profile of the Bank.

Employees' base salaries vary within the established salary range based on skills, experience and performance. Each year eBay may establish a merit/adjustment/promotion budget based on market movement and affordability to prepare for a base salary pay and promotion review. As part of this process, managers make recommendations for employee's pay. Typically, any pay changes occur in April or, on an exception basis, in October, within the budget provided, or as required by local law.

Recommendations on remuneration are made at least on an annual basis in anticipation of any government mandated increase and in conjunction with PayPal's shareholder and parent entities. Government mandated pay increases are implemented and are effective no later than the date required by regulations.

Individual pay and promotion decisions are reviewed to ensure they are within guidelines and are fair and equitable across the employee population. Final approvals are required from eBay's Senior Vice President ("SVP"), Human Resources and eBay's CEO.

eBay publishes comprehensive details of its company-wide compensation, benefits and performance management policies and practices on the company intranet, where they are freely accessible to all employees. Accordingly, staff members know in advance the criteria that will be used to determine their remuneration. The PayPal's Remuneration Policy is also freely available on request, to all bank employees in scope of the policy.

5.8.2 Remuneration Philosophy

eBay's compensation philosophy helps define how compensation programs support the goals and the culture of the organization. All elements of compensation and benefits are included i.e. base pay, incentive pay, stock programs, and all types of benefits.

eBay's philosophy is to provide compensation programs which:

- Support business objectives;
- Attract, retain, and reward employees who contribute to the company's success;
- Provide pay for performance compensation programs where high performance is recognised with greater total pay potential; and
- Provide a total compensation package which is targeted to be competitive with the market for which we compete for talent, while allowing individual employee pay to vary based on performance, potential, skills and experience.

As a matter of principle, eBay supports levels of remuneration and compensation necessary to attract, retain and motivate high quality people required to lead, manage and serve PayPal in a competitive environment, while also balancing this against the overall risk management framework of PayPal. eBay considers that market appropriate levels of remuneration and compensation are essential in order to enhance the long-term interests of its stakeholders, including its shareholder and parent entities.

Pay for Performance

To support its principles, PayPal has a robust and transparent framework in place to ensure that the level and composition of remuneration is reasonable and both clearly and measurably linked to performance, to enhance the long term interests of the Bank. These objectives are consistent with eBay's compensation programs that all remuneration is guided by a pay for performance philosophy.

Managers and employees have a shared responsibility in the performance evaluation process with managers having the primary responsibility. Employees meet with their managers to establish goals and objectives for the year.

Goals are generally documented in a performance management tool and are agreed upon by employee and manager. Goals may be individual or shared/group goals. Weighting for each goal must be at least 5%. eBay encourages SMART (specific, measureable, achievable, result-based, time-bound) goals.

Managers participate in performance review sessions at the end of the performance period to review ratings and calibrate across the organization - this occurs on a semi-annual basis at a minimum. After calibration, where an employee is considered relative to his/her peers, leaders have the responsibility to inform the direct manager of any changes to recommendations, who in turn inform employees.

Discretion related to eBay incentive plans and equity programs is reserved to the eBay Inc. Compensation Committee, as appropriate. A discussion and analysis of the compensation programs in which eBay's named executive officers participate is filed in eBay's annual proxy statement, which is publicly-filed with the U.S. Securities and Exchange Commission ("SEC") and can be viewed by visiting eBay's investor relations website at http://investor.ebayinc.com/annuals.cfm.

5.8.3 Design Characteristics & Parameters

5.8.3.1 Remuneration Structure

Total remuneration is made up of fixed and variable components.

In accordance with the provisions of the Capital Requirements Directive IV and with effect from January 1, 2014, the Authorised Management and the Shareholders of the Bank have approved the extension of the cap on total actual variable remuneration as a proportion of total actual fixed remuneration stipulated in the Directive of 100%, to an approved higher cap of 200%.

The Bank may withhold bonuses entirely or partly when individual performance criteria are not met by the individual concerned, or when the eBay business does not meet threshold financial requirements set at the beginning of the performance period.

5.8.3.2 Fixed remuneration

- Base salary

Salary ranges create a hierarchy of job grades that define the compensation levels and ranges for groups of jobs within the organization and are built and maintained based on local market pay in each country.

Ranges are reviewed annually based on data from benchmark surveys and input from outside consultants. Adjustments to salary ranges are reviewed and approved by the Vice President ("VP"), Compensation and Benefits.

Annual base salary is delivered in 12 monthly instalments. There is no 13th month allowance.

- Standard Allowances

Meal vouchers are available to all employees in Luxembourg. Vouchers deliver an additional EUR 151.20 value each month to those who participate.

There are no other standard allowances provided to employees.

- Special Allowances

Occasionally, on a case-by-case basis, special allowances may be available to key employees. For example, if the Bank requests that an employee relocate or an employee accepts a role in a new location, the company may offer a special allowance if the employee's family does not relocate to the new location.

Any such allowance is based on what is reasonable and customary under the circumstances. Special allowances are not intended to be a windfall for the employee; instead, they are intended to account for the employee's unique personal situation and to protect the employee from financial loss as a result of the business request.

Depending on the particular circumstances, special allowances may include a housing allowance, transportation allowance, travel allowance, tax support and/or maintenance of health benefits.

- Benefits

Pension schemes are part of the benefits package for the Bank's employees. The Bank contributes 3% of base salary up to the monthly salary ceiling and 11% above the monthly salary ceiling.

Life, short and long term disability insurance is provided by the Bank. The Bank pays 100% of the premium costs for employee coverage.

Health care insurance is provided. Both employees and the Bank make a contribution in Luxembourg in accordance with social security requirements.

After five years of service with eBay, employees may be eligible for four weeks of time off with pay through a global sabbatical program.

A gym membership subsidy of up to EUR 66 per month is available to all employees on application.

Employee Stock Purchase Plan (ESPP) is available to all employees and provides the opportunity to buy shares of eBay Common Stock at 85% of the Fair Market Value on either the first day of the Offering Period or the actual Purchase Date, whichever is the lower.

- Long Term Assignments

Occasionally, PayPal may require that a middle or senior level employee with specialized technical knowledge or management expertise assume a temporary assignment in a new country (i.e. the host country). An assignment may last from one to five years and PayPal's intention is that the employee (i.e., the international assignee) would return to their home country at the end of the assignment.

While on assignment, PayPal's compensation philosophy is a "no gain, no loss" approach, whereby the international assignee is generally protected against financial loss due to higher costs (including higher income taxes) in the host country location yet are not enriched when host country costs are lower. Thus, while it is PayPal's intention to provide a compensation and benefits package that fairly compensates the international assignee during the international assignment, it is not PayPal's intention for the international assignee to realize a significant financial windfall as a result of the international assignment.

As a result, specific compensation and benefits arrangements are analysed on an assignment-by-assignment basis to ensure there is generally "no gain, no loss." Depending on the assignment and the countries involved, specific arrangements may include a housing allowance, transportation allowance, travel allowance, tax support and/or maintenance of health benefits.

5.8.3.3 Variable remuneration

Variable remuneration in addition to base salary is designed to reward performance based on the achievement of specific performance criteria. These criteria may be individual performance goals, unit or team goals, the Bank's performance goals or a combination.

Variable remuneration at PayPal includes:

- eBay Incentive Plan (herein "eIP");
- eBay Equity Grants; and
- Spot Recognition Award Program.

There are currently no Sales Incentive plans applicable to PayPal employees in Luxembourg.

In case of evidence of misbehaviour, serious error (e.g. breach of code of conduct, internal rules, especially concerning risks), established fraud or misleading information, the Bank may apply an ex-post risk adjustment on any variable component awarded.

- eIP

The eIP is designed to incentivize and reward employees for both eBay performance and individual performance.

The European leadership team and other employees not on a sales plan may participate in the eIP, which has been approved by the Board of Directors of eBay and the stockholders of eBay. Any funding and pay-outs under the eIP are dependent and based on eBay's overall performance, a component of which is PayPal's performance, and the individual's performance. The individual portion of the bonus depends on performance within each person's role and for bank employees that includes achievement against objectives that support the Bank's activities.

The eBay Inc. Compensation Committee determines the annual or other performance periods under the eIP. Performance measures may be based on a wide variety of business metrics, and eBay management recommends to eBay Inc.'s Compensation Committee a proposed approach to setting the performance measures and targets. If earned, the eIP is paid annually following the close of the financial year.

The award is funded based on eBay financial performance and is paid out based on eBay financial performance and individual performance (as determined by the individual performance rating).

The eIP has a minimum pay-out of 0% and depending on job level has a maximum pay-out of either 150% or 200% of target bonus percentage.

The annual individual performance component of the eIP plan is at the discretion of the European Management Board with the final approvals required from PayPal's President, eBay's SVP of Human Resources, and eBay's CEO.

For Director Level employees and above, there may be an additional pay-out applied to an employee's Annual Award should the Bank meets its Net Promoter Score ("NPS") and/or employee Net Promoter Score ("eNPS") annual goals. The additional pay-out will result in an additional pay-out of 5 percent of the employee's Individual Component target bonus percentage for each metric achieved in the performance period. If the bonus pool does not fund, no additional pay-out will be made. If the NPS and/or eNPS annual goals are achieved but the bonus pool does not fund, it may be paid in a subsequent year where the bonus pool is funded.

For employees working for foreign subsidiaries of eBay, their participation in the eIP does not mean they are an employee of eBay. Any award they may receive is not part of local compensation or an entitlement of employment. Participation in the eIP does not guarantee continued employment with eBay. Although the eIP is in effect for the 2014 calendar year, eBay is under no obligation to renew or extend the eIP for future years. Any bonus pay-out made under the eIP, as well as the eIP itself, is discretionary in nature. A payment of a bonus in any plan year does not guarantee a payment of a bonus in any subsequent plan year.

- eBay Equity Grants

eBay grants equity awards pursuant to the terms and conditions of its current stock plans and offers eligible employees an opportunity to participate in its stock purchase plan, which are each approved by the eBay Inc. Compensation Committee and eBay's stockholders. eBay's equity plans

are U.S.-based programs and are subject to U.S. state law. Any eBay equity award granted to an employee is made by eBay on a discretionary and occasional basis.

Equity plays an important role in allowing eBay to meet the goal of attracting, engaging and retaining top talent to achieve business goals. Equity grants are designed to reward employees for potential long-term contributions and promote the success and enhance the value of eBay by linking the personal interests of employees to those of eBay's stockholders.

eBay equity programs provide new hire grants for eligible employees and annual focal grants for eligible employees based on market practices, performance and long-term potential for future contributions. Equity grants generally deliver Restricted Stock Units ("RSU") below VP level and a mix of stock options and RSUs at VP level and above. At SVP level RSU vesting may also include a performance condition.

From time to time, in addition to a focal program grant, an additional RSU grant may be provided on a discretionary basis to those in the Bank considered to be its highest performers and those with the highest potential. If an employee is considered for an additional RSU grant, the compensation level for that employee is reviewed with particular emphasis on the value of unvested equity and awards are generally only approved for an employee whose equity holding power is relatively low. Any additional RSU grant requires additional approvals from eBay's SVP of Human Resources and eBay's CEO before it could be awarded.

eBay equity grants have vesting provisions tied to the type of equity granted. For example:

- Stock options granted under our equity plans to employees generally vest 25% one year from the date of grant (or 12.5% six months from the date of grant for grants to existing employees) and the remainder vest at a rate of 1/48th per month thereafter and are typically fully vested within four years, subject to continued employment with an eBay company on each vesting date. Stock Option grants generally expire 7 to 10 years from the date of grant;
- RSUs generally become fully vested after four years, with 25% of the grant vesting on each anniversary of the grant date, subject to continued employment with an eBay company on each vesting date. Performance Based RSUs are currently only granted at SVP level.

New hire and Focal equity guidelines are subject to review each year, and any grant recommendations are expected to be within specific eBay equity guidelines. Awards that exceed target guidelines require approval by eBay's SVP of Human Resources, eBay's CFO, and/or eBay's CEO, as appropriate.

Employees have no contractual or other right to receive future awards under eBay's equity plans. eBay retains the right to amend, change or cancel the plans at its sole discretion. eBay also maintains an "Insider Trading Policy" that pertains to all of its majority-owned subsidiaries (including PayPal), which prohibits trading in any instrument relating to the future price of eBay's securities, such as a put, call, futures contract, short sale (including a short sale "against the box") or collar. Further, eBay's Insider Trading Policy rejects any attempt to evade the purpose or spirit of the Insider Trading Policy through transactions that may be technically permitted but are intended to result in the same economic substance as transactions that would be prohibited under the policy.

- Spot Recognition Award Program

All regular eBay employees (except Section 16 officers as per the Securities Exchange Act of 1934) are eligible for this cash bonus program, which recognizes both individuals and teams for extraordinary contributions, exemplary performance, innovation, and effort above and beyond regular goals and objectives. Spot Recognition Awards may be awarded pursuant to established guidelines and generally range from EUR 100 – EUR 15,000.

- Golden parachute agreements

Golden parachute agreements are not standard practice at the Bank, and there are no such agreements currently in place.

- Sign-on bonuses

Occasionally, on a case-by-case basis, a one-time cash bonus may be provided to new hires in key roles. Generally, a sign-on bonus is used to close a gap between the current compensation a candidate is receiving at his or her current employer when compared to the compensation he or she will receive pursuant to the Bank's remuneration framework or to defray or replace value the candidate would forego from his or her current employer by joining the Bank (e.g. a bonus pay-out).

5.8.4 Quantitative disclosure

Actual remuneration figures for the year 2014 for employees who are in-scope of the Bank's Remuneration Policy are given in the table below. "Senior Management" is defined as Directors and above.

Column (A) refers to amounts in thousands of USD based on foreign exchange rates per *http://ec.europa.eu/budget/contracts_grants/info_contracts/inforeuro/inforeuro_en.cfm. Column (B) is for the number of beneficiaries.*

	Senior Management		***Other Eligible Staff***		***Total***	
	(A)	***(B)***	***(A)***	***(B)***	***(A)***	***(B)***
Base Salary	5,687	27	1,105	7	6,792	34
Standard Allowances	13	21	4	6	17	27
Special Allowances	706	11	-	-	706	11
Benefits	625	22	98	7	723	29
Total Fixed Pay	**7,031**	**27**	**1,207**	**7**	**8,238**	**34**
eIP Bonus	1,580	16	182	6	1,762	22
Spot Awards	19	2	7	2	26	4
Equity Compensation Award	6,975	21	408	7	7,383	28
Deferred Remuneration reduced due to performance	-	-	-	-	-	-
Sub-Total Variable Pay	**8,574**	**21**	**597**	**7**	**9,171**	**28**
Sign-on Payments	44	1	10	1	54	2
Severance Payments	215	1	-	-	215	1
Total Sign-on / Severance	**258**	**2**	**10**	**1**	**269**	**3**
Total Variable Pay	**8,832**	**22**	**607**	**7**	**9,440**	**29**
Unvested Deferred Compensation*	12,148	17	565	6	12,713	23
Deferred Compensation Award	6,975	21	408	7	7,382	28

*Based on unvested equity at December 2014 using fair market value of USD 56.12.

As at December 31, 2014 total actual remuneration was composed by 47% of fixed and 53% of variable remuneration.

As at December 31, 2014, there are two individuals being remunerated between EUR 1 million and EUR 1.5 million.

Rupert Keeley
Chief Executive Officer

Nicholas Staheyeff
Chief Financial Officer

pwc

Audit report

To the General Partner of
PayPal (Europe) S.à r.l. et Cie, S.C.A.

Report on the financial statements

We have audited the accompanying financial statements of PayPal (Europe) S.à r.l. et Cie, S.C.A., which comprise the statement of financial position as at 31 December 2014, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

General Partner's responsibility for the financial statements

The General Partner is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the General Partner determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "Réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgment of the "Réviseur d'entreprises agréé" including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the General Partner, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers, Société coopérative, 2 rue Gerhard Mercator, B.P. 1443, L-1014 Luxembourg
T : +352 494848 1, F : +352 494848 2900, www.pwc.lu

Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)
R.C.S. Luxembourg B 65 477 - TVA LU25482518

pwc

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of PayPal (Europe) S.à r.l. et Cie, S.C.A. as of 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the General Partner, is consistent with the financial statements.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 1 April 2015

E. Henniaux

Emmanuelle Caruel-Henniaux

Income statement
for the year ended December 31, 2014

In USD	*Note*	*Year ended December 31, 2014*	*Year ended December 31, 2013*
Interest income	21	276,870,023	192,823,623
Interest expense	21	(7,332,608)	(3,752,184)
Net interest income	***21***	***269,537,415***	***189,071,439***
Loan impairment charges	***22***	***(191,225,423)***	***(152,282,678)***
Fee and commission income	23	2,661,872,513	2,172,039,265
Fee and commission expense	23	(2,503,727,561)	(2,013,055,163)
Net fee and commission income	***23***	***158,144,952***	***158,984,102***
Net gain/(loss) on derivatives held for trading	24	(1,285,353)	(183,105)
Net gain/(loss) on foreign exchange	25	461,525	(325,889)
Other operating expenses	26	-	(2,678,934)
Staff and other administrative expenses	27	(106,659,933)	(86,697,359)
Other operating result		***(107,483,761)***	***(89,885,287)***
Profit before income tax		***128,973,183***	***105,887,576***
Income tax expense	19	(6,910,853)	(6,260,961)
Profit for the year		***122,062,330***	***99,626,615***

The accompanying notes are an integral part of these financial statements.

Statement of comprehensive income for the year ended December 31, 2014

In USD	*Note*	*Year ended December 31, 2014*	*Year ended December 31, 2013*
Profit for the year		***122,062,330***	***99,626,615***
Change in value of available-for-sale financial assets, net of deferred tax	20.2	166,774	(70,077)
Other comprehensive income for the year, net of deferred tax		-	-
Total comprehensive income for the year		***122,229,104***	***99,556,538***
Total comprehensive income attributable to:			
Equity holders of the entity		122,229,104	99,556,538

The accompanying notes are an integral part of these financial statements.

Statement of financial position as at December 31, 2014

In USD	*Note*	*December 31, 2014*	*December 31, 2013*
Assets			
Cash and balances with central banks	6	27,786,088	23,920,336
Financial assets held for trading - Derivatives	7	679,953	490,896
Available-for-sale financial assets	6, 8	1,010,022,390	183,928,599
Investments in subsidiaries	9	20,000	20,000
Loans and advances to banks	6, 10.1	2,108,042,338	2,497,722,310
Loans and advances to customers	10.2	2,793,806,777	1,944,455,346
Property, plant and equipment	11	4,176,058	2,975,208
Intangible assets	12	56,613	127,093
Other assets	13	394,493,533	551,398,121
Total assets		***6,339,083,750***	***5,205,037,909***
Liabilities			
Financial liabilities held for trading - Derivatives	7	759,674	672,899
Due to banks	15	-	73,009
Due to customers	16	160,309,639	260,144,861
E-money liabilities	17	2,871,176,304	2,571,223,724
Current income tax liabilities	19	16,425,834	11,510,549
Other liabilities	14	413,557,979	205,633,522
Total liabilities		***3,462,229,429***	***3,049,258,564***
Equity			
Share capital	20.1	2,537,200,000	1,937,200,000
Reserves	20.2	63,560,253	30,707,604
Retained earnings		154,031,738	88,245,126
Profit for the year		122,062,330	99,626,615
Total equity		***2,876,854,321***	***2,155,779,345***
Total equity and liabilities		***6,339,083,750***	***5,205,037,909***

The accompanying notes are an integral part of these financial statements.

Statement of changes in equity for the year ended December 31, 2014

In USD	*Note*	*Number of shares*	*Share capital*	*Reserves*	*Retained earnings*	*Total equity*
Balance at December 31, 2012		*1,337,200*	*1,337,200,000*	*19,464,700*	*102,871,229*	*1,459,535,929*
Profit for the year 2013		-	-	-	99,626,615	99,626,615
Available-for-sale financial assets	20.2	-	-	(70,077)	-	(70,077)
Total comprehensive income for the year 2013		-	-	*(70,077)*	*99,626,615*	*99,556,538*
Transfer	20.2	-	-	14,626,104	(14,626,104)	-
Issue of share capital	20.1	600,000	600,000,000	-	-	600,000,000
Share-based payments	28.0	-	-	(105,900)	-	(105,900)
IFRS 2 share-based excess recharge	20.2		-	(3,207,223)	-	(3,207,223)
Balance at December 31, 2013		*1,937,200*	*1,937,200,000*	*30,707,604*	*187,871,741*	*2,155,779,345*
Profit for the year 2014		-	-	-	122,062,330	122,062,330
Available-for-sale financial assets	20.2	-	-	166,774	-	166,774
Total comprehensive income for the year 2014		-	-	*166,774*	*122,062,330*	*122,229,105*
Transfer	20.2	-	-	32,685,875	(32,685,875)	-
Issue of share capital	20.1	600,000	600,000,000	-	-	600,000,000
IFRS 2 share-based excess recharge	20.2	-	-	-	(1,154,128)	(1,154,128)
Balance at December 31, 2014		*2,537,200*	*2,537,200,000*	*63,560,253*	*276,094,068*	*2,876,854,321*

The accompanying notes are an integral part of these financial statements.

Statement of cash flows
for the year ended December 31, 2014

In USD	*Note*	*December 31, 2014*	*December 31, 2013*
Cash flows from operating activities			
Profit for the year		*122,062,331*	*99,626,615*
Non-cash items and other adjustments			
Share-based payments	28	-	(105,900)
IFRS 2 share-based excess recharge	20.2	(1,154,128)	(3,207,223)
Depreciation	27.2	406,345	629,578
Impairment	22	44,673,469	44,062,076
Derivatives held for trading	7	(102,282)	(461,874)
Interest accrual	21	(126,995,898)	(86,831,273)
Change in assets and liabilities			
Available-for-sale financial assets	6, 8	(743,017,403)	(173,563,209)
Loans and advances to banks	6,10.1	(530,085,351)	805,935,159
Loans and advances to customers	10.2	(773,809,126)	(584,493,819)
Due to banks	15	(73,009)	73,009
Due to customers	16	(100,110,139)	50,000,000
E-money liabilities	17	299,952,580	571,140,282
Current income tax	19	5,670,246	6,488,029
Changes in other assets and liabilities	13,14	364,794,323	(141,808,112)
Cash generated by operations		*(1,437,788,042)*	*587,483,337*
Income tax paid	19	(754,961)	(757,769)
Net cash flow used in operating activities		*(1,438,543,003)*	*586,725,568*
Cash flows from investing activities			
Purchases of property, plant and equipment	11	(1,536,715)	(2,403,667)
Acquisition of shares in subsidiaries	9	-	(20,000)
Purchases of intangible assets	12	-	-
Net cash flow used in investing activities		*(1,536,715)*	*(2,423,667)*
Cash flows from financing activities			
Issue of ordinary shares	20	600,000,000	600,000,000
Net cash flow generated from investing activities		*600,000,000*	*600,000,000*
Net increase/(decrease) in cash and cash equivalents		*(840,079,719)*	*1,184,301,901*
Cash and cash equivalents at January 1	6	2,256,455,988	1,072,154,087
Cash and cash equivalents at December 31		*1,416,376,269*	*2,256,455,988*

The accompanying notes are an integral part of these financial statements.

1 General

PayPal (Europe) S.à r.l. et Cie, S.C.A. ("the Bank") was first incorporated in the Grand-Duchy of Luxembourg on July 28, 2006 as a public limited company ("Société Anonyme") under the company name PayPal (Europe) S.A.. The registered office of the Bank is established 22-24 Boulevard Royal, L-2449 Luxembourg; trade register B118.349.

On March 14, 2007, the Extraordinary General Meeting of PayPal (Europe) S.A. decided to change the company name from PayPal HOLDINGS S.A. into PayPal (Europe) S.A..

On June 25, 2007, the Extraordinary General Meeting of PayPal (Europe) S.A. decided to increase the share capital of the company, to amend the purpose of the company, to convert the legal form into a "Société en Commandite par Actions" and to change the name of the company into PayPal (Europe) S.à r.l. et Cie, S.C.A..

The Luxembourg Minister of Finance authorised the Bank as a credit institution as of July 2, 2007. Since that date, the Bank has been subject to the prudential supervision of the Commission de Surveillance du Secteur Financier (the "CSSF").

The Bank allows online businesses, merchants and individuals to send and receive payments securely, conveniently and cost effectively. The Bank leverages the existing financial infrastructure of bank accounts and debit and credit cards to create a real-time payment solution available to European Union residents. Additionally, the Bank engages in deposits-taking services to affiliated companies of the eBay Inc. ("eBay") corporate group (the "Group"), receivables purchases and credit products.

In 2013, the Bank took full ownership of PayPal 4 S.à r.l., an entity of the group eBay, based in Luxembourg. The Bank elected not to prepare consolidated financial statements, using the exemption from consolidation. Both entities prepare separated financial statements.

The General Partner of the Bank is PayPal (Europe) S.à r.l. (the "General Partner"). The direct parent of the Bank is PayPal 2 S.à r.l. located at 22-24 Boulevard Royal, L-2449, Luxembourg. PayPal 2 S.à r.l. is fully owned by PayPal Private Limited ("PPPL" or "Indirect Parent") which is located at Suntec Tower 5, 5 Temasek Boulevard #09-01 Singapore 038985. The ultimate parent of the Bank is eBay and the financial position and results of the Bank are included in the consolidated financial statements of eBay. The consolidated financial statements of eBay may be obtained from the registered office of that company at 2145 Hamilton Avenue, San Jose, California, United States of America.

2 Summary of significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and their interpretations existing as at December 31, 2014, as adopted by the European Union ("EU").

The financial statements were approved for issue by the General Partner of the Bank on April 1, 2015. The financial statements have been prepared on the historical cost basis except for certain items as described further in the notes.

The preparation of financial statements in accordance with IFRS as adopted by the European Union requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. The Bank bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

2.1.1 Standards, amendments and interpretations effective in 2014

During the period beginning on January 1, 2014, the Bank did not adopt any new amendments and interpretations to existing standards.

2.1.2 Standards, amendments and interpretations issued but not yet effective in 2014

The following standards, amendments and interpretations to existing standards have been published but are not effective for the Bank's accounting periods beginning on January 1, 2014, and are expected to be relevant for the Bank. Those standards have not yet been endorsed by the EU.

- IAS 1 "Presentation of Financial Statements"

The exposure draft proposes narrow-focus clarifying amendments to IAS 1 regarding the following proposed amendments:

- Clarify the materiality requirements in IAS 1, including an emphasis on the potentially detrimental effect of overwhelming useful information with immaterial information.
- Clarify that specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position can be disaggregated.
- Add requirements for how an entity should present subtotals in the statement(s) of profit or loss and other comprehensive income and the statement of financial position.
- Clarify that entities have flexibility as to the order in which they present the notes, but also emphasise that understandability and comparability should be considered by an entity when deciding that order; and
- Remove potentially unhelpful guidance in IAS 1 for identifying a significant accounting policy.

- IFRS 2 "Share-based Payment"

The proposed amendments provide guidance on:

- The accounting for the effects of vesting conditions on the measurement of a cash-settled share-based payment;
- The classification of share-based payment transactions with net settlement features; and
- The accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

- IFRS 15, " Revenue from contracts with customers"

This new standard establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue and provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications).

Improved guidance for multiple-element arrangements, IFRS 15, is effective for annual periods beginning on or after 1 January 2017. Earlier application is permitted.

- IFRS 9 "Financial Instruments"

The new standard includes a logical model for i) classification and measurement, which is driven by cash flow characteristics and the business model in which an asset is held; ii) a single, forward-looking 'expected loss' impairment model which requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis; and iii) a substantially-reformed approach to hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. The new standard will come into effect on 1 January 2018 with early application permitted.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Bank.

2.1.3 Early adoption

The Bank did not early-adopt new or amended standards in 2014.

2.2 Foreign currencies

2.2.1 Functional and presentation currency

The functional currency is the currency of the primary economic environment in which the Bank operates. The form of primary and secondary indicators of salient economic factors and circumstances should be considered in determining the functional currency. The Bank has analysed the different indicators and, based on the results of that analysis and based on judgement, the functional currency USD was selected on the basis that the majority of expenses of the Bank, funding, and deposits received from affiliated companies are transacted in USD.

The presentation currency is the currency in which the financial statements of the Bank are presented, which is the USD.

2.2.2 Transactions and balances

Foreign currency transactions that are transactions denominated, or that require settlement in a foreign currency, are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of the initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity as gains or losses from qualifying cash flow hedging instruments or qualifying net investments hedging instruments.

All foreign exchange gains and losses recognized in the income statement are presented net in the income statement within the corresponding item. Foreign exchange gains and losses on other comprehensive income items are presented in the other comprehensive income within the corresponding item.

2.3 Classification and measurement of financial assets and liabilities

The Bank classifies financial assets and liabilities based on the business purpose of entering into these transactions.

2.3.1 Financial assets

The measurement of financial assets and the treatment of value changes depends on the IFRS classification of the financial assets, being: (a) loans and receivables; (b) held to maturity financial assets; (c) financial assets designated at fair value through profit or loss, and (d) available for sale financial assets. The financial assets of the Bank include cash and balances with central banks; available-for-sale; financial assets held for trading (Derivatives); loans and advances to banks and customers; and other assets, primarily constituted of affiliated funds receivable related to e-money transactions processing. Fair value measurement is based on IFRS 13 requirements.

2.3.1.1 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

(a) Those that the Bank intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
(b) Those that the Bank upon initial recognition designates as available for sale; or
(c) Those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are initially measured at fair value, which is the cash consideration to originate or purchase the loan, including any transaction costs and subsequently measured at amortised cost using the effective interest method, with the periodic amortisation of discount or premiums in the income statement. Due to the short maturity of the loan and receivables, the carrying amount of these financial assets approximates fair value.

2.3.1.2 Available-for-sale financial assets

Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognised in the statement of comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognised in the statement of comprehensive income is recognised in the income statement. However, interest is calculated using the effective interest method, and foreign currency

gains and losses on monetary assets classified as available for sale are recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement in 'Dividend income' when the right to receive payment is established.

2.3.1.3 Recognition

All purchases and sales of financial assets requiring delivery within the time frame established by regulation or market convention are recognised on the trade date, which is the date when the Bank becomes a party to the contractual provisions of the financial assets.

2.3.2 Financial liabilities

The measurement and treatment of value changes depends on the IFRS classification of the financial liabilities, being: (a) financial liabilities designated at fair value through profit or loss, and (b) other financial liabilities at amortised cost. Fair value measurement is based on IFRS 13 requirements.

2.3.2.1 Financial liabilities designated at fair value through profit and loss

Financial liabilities designated at fair value through profit and loss of the Bank include financial liabilities held for trading (Derivatives). Financial liabilities designated at fair value through profit and loss are initially designated at fair value, with any subsequent gains and losses arising from changes in fair value recognised in the income statement.

2.3.2.2 Other financial liabilities

Other financial liabilities of the Bank include due to banks; due to customers; e-money liabilities; current income tax liabilities; and other liabilities. Other financial liabilities are initially recognised at fair value (including any transaction costs) and subsequently measured at amortised cost, which determines their measurement and recognition in the income statement and the statement of financial position.

2.4 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported on the face of the statement of financial position if there is a legally enforceable right to set off the recognised amounts and if there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Bank entered into netting agreements with several entities of eBay Inc. Those agreements meet the IAS 32 criteria for balance sheet offsetting. As at December 31, 2014, mutual claims between the Bank and those entities are effectively reported on a net basis in the statement of financial position.

2.5 Impairment of Financial Assets

The financial assets of the Bank include cash and balances with central banks; loans and advances to banks and customers; and other assets, primarily constituted of affiliated funds receivable related to e-money transactions processing.

2.5.1 Loans and advances to banks

The Bank addresses the risk of an impairment of financial assets in a two-step process.

First the Bank assesses on a quarterly basis whether there is objective evidence that a financial asset or group of financial assets is impaired.

If there is no objective evidence of impairment, then no further action needs to be taken. However, if there is objective evidence of impairment, then the Bank should calculate the amount of any impairment loss and recognise it.

A financial asset or a group of financial assets, except for loans and advances to customers, is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

It may not be possible to pinpoint one specific event that caused the impairment because it may have been caused by the combined effect of a number of events.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include, but are not limited to the following:

- A significant deterioration in the earnings performance, credit rating, asset quality, or business prospects of the financial asset;
- A significant financial difficulty of the counterparty;
- A significant adverse change in the regulatory, economic, or technological environment of the financial asset;
- A significant adverse change in the general market condition of either the geographic area or the industry of the financial asset.

2.5.2 Loans and advances to customers

Loans and advances to customers are impaired and impairment losses are incurred following the below valuation assumptions.

Impairment is assessed on a collective approach as the loans and advances are made up of a large group of homogeneous receivables that are not considered individually significant, and is referred to as the roll rates methodology.

Under this methodology, loans are grouped in each stage of delinquency according to the number of days past due, and roll rates are the percentage of loans that the Bank estimates will migrate from one stage of delinquency to the next one based on historical experience, as well as external factors such as estimated bankruptcies and levels of unemployment. Roll rates are applied on principal and interest for each stage of delinquency in order to estimate the loans that will be ultimately fully written-off.

Impairment is further adjusted by taking into account several risk factors such as bankruptcy notifications, fraud, deceased customers and recoveries, which are not based on a collective approach.

2.6 Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

For non-financial assets, the recoverable amount is measured as the higher of the fair value less cost to sell and the value in use. Fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, after deducting any direct incremental disposal costs. Value in use is the present value of estimated future cash flows expected to arise from continuing use of an asset and from its disposal at the end of its useful life.

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

No non-financial assets were impaired in 2014.

2.7 Derecognition of financial assets and liabilities

A financial asset is derecognised when the rights to the cash flows from the asset expire, or the rights to the cash flows from the asset and substantially all risks and rewards of ownership of the asset are transferred. A transfer comprises sales and pass-through arrangements. For the year ended December 31, 2014, the Bank did not have any pass-through arrangements.

A financial liability is removed from the statement of financial liabilities only when it is extinguished – i.e. when the obligation specified in the contract is discharged or cancelled, or expires.

2.8 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash and balances with central banks and other financial instruments with less than three months maturity from the date of acquisition disclosed as loans and advances to banks and money market funds.

2.9 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition or construction. Depreciation is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives. The residual value and the useful life of equipment are determined for each significant part separately (component approach) and are reviewed at each year end.

Repairs and maintenance expenses are charged to the income statement when the expenditure is incurred. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

The estimated useful life and methods of depreciation are as follows:

Item	Estimated useful life	Method
Standard software	1 to 3 years	Linear
Computer equipment	3 years	Linear
Equipment, fixtures and fittings	3 to 5 years	Linear

2.10 Employee benefits

2.10.1 Sabbatical program

The Bank has a sabbatical program in place under which each eligible employee earns the right to 4 weeks' sabbatical after 5 years of full employment with the Bank.
Under IAS 19: "Employee benefits", a provision and related expenses is recorded during the period the employee is required to work. The accrual is reduced by an estimated turnover rate. The sabbatical accrual is further reduced as the sabbatical leave is taken by the employee, with no impact to income statement.

2.10.2 Defined contribution plan

The Bank operates a defined contribution Supplementary Pension Scheme in accordance with local conditions and industry practices. Obligations for contributions to the defined contribution Pension Scheme plan are recognised as an expense in the income statement when they are due.

Under the Supplementary Pension Scheme the Bank pays fixed contributions and the Bank has no legal or constructive obligations to pay further contributions in respect of employees' service in the current and prior periods.

2.10.3 Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2.10.4 Equity-settled share-based payment transactions

eBay's management may grant Stock Options or Restricted Stock Units (RSUs) to employees in exchange for the employees' continued service to the Bank (collectively referred to as "share-based payments").

The Bank accounts for share-based payments in accordance to IFRS 2 as equity settled. The Bank recognizes in the income statement the effects of all share-based payments to employees based on their fair value.

Share-based payments expense recognized during the period is based on the value of the portion of stock-based payments awards that is ultimately expected to vest. As stock-based compensation recognized in the consolidated statement of operations is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. IFRS 2 requires forfeitures to be estimated at

the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

2.11 Provisions

A provision is recognised, if as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flow at a pre-tax rate that reflects current market conditions of the time value of money and, where appropriate, the risks specific to the liability.

2.12 Interest income and expense

Interest income is mainly comprised of interest earned on cash held with central banks and interest earned on loans and advances to banks and retail customers. Interest income is recorded in the income statement when earned.

Interest expense is mainly comprised of interest paid on deposits due to customers, and other charges with interest character. The interest expense is recorded in the income statement when incurred.

2.13 Fee and commission income

The Bank recognises revenues from e-money transactions processing and fees on loans and advances to customers. Fees and commissions are recognised on an accrual basis when the service has been provided.

2.14 Tax

The Bank is subject to Luxembourg corporate income tax, municipal business tax and net wealth tax. The tax effects of income tax losses available for carry-forward, if any, are recognised as a deferred tax asset if it is probable that future taxable profit will be available against which those losses can be utilised.

Deferred tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The rates enacted or substantively enacted at the balance sheet date are used to determine deferred taxes. As from January 1, 2014, the applicable Corporate Income Tax rate, including the Municipal Business Tax and the contribution to the national employment fund, is 29.22%.

Deferred tax assets are recognised to the extent that it is probable that sufficient future taxable profit will be available to allow the benefit of part or the entire deferred tax asset to be utilised.

Current and deferred tax related to fair value re-measurement of available for sale investments and cash flow hedges which are charged or credited directly to equity is also credited or charged directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss.

2.15 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

Where IAS 8 applies, comparative figures should be adjusted to conform with changes in presentation in the current year.

To ensure comparability with the figures for the year ended December 31, 2014, the outstanding restricted stock units as at December 31, 2013 (note 28.5) has been increased by 341 shares.

3 Risk Management

3.1 Introduction

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return, and minimise potential adverse effects on the Bank's financial performance.

The Bank's Enterprise Risk Management ("ERM") framework is designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems and processes. The Bank regularly reviews its ERM framework and systems to reflect changes in markets, products and emerging best practice.

The Bank's ERM framework is embedded in the Group's Business Risk Internal Control ("BRIC") framework, with the Bank's Head of ERM having a reporting line to the Bank's Chief Risk Officer ("CRO") and PayPal's Head of BRIC.

The Bank has exposure to the following risks:

- Credit risk;
- Market risk;
- Capital and liquidity risk;
- Operational risk;
- External risk; and
- Strategic risk.

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of its capital.

In order to ensure efficient ERM with respective risk treatment and investment,

- Risk assessments are conducted on a regular basis by the Bank's ERM function based on the Group's unified risk assessment framework (URAF);
- Regular ERM updates are provided to the Bank's Audit, Risk and Compliance Committee (i.e. during monthly and quarterly meetings);
- Potential/actual issues are highlighted in the Bank's quarterly ERM report and followed up to ensure satisfactory resolution;

- An annual ICAAP report is prepared by the Bank's ERM function; and
- Bi-monthly PayPal Inc. ("PayPal") and quarterly eBay Inc. ("eBay") Risk Committee meetings are held to support and assist all group entities, such as the Bank, in managing their exposures efficiently.

In addition, an "Operations Control Committee" has been implemented, where risks and issues are reported and discussed monthly with the Management Board.

The Bank's Head of ERM is responsible for managing the ERM framework. However, the Management Board has primary responsibility and accountability for oversight of the Bank's risks and approval of the Bank's ERM policies.

3.2 Risk Management principles

In order to accomplish its objectives, the Bank has implemented an ERM programme that consists of three key components. These are in line with the business strategy, are derived from the way Management runs the Bank, and are integrated within the management processes.

The programme components are:

- Risk policies

The Bank recognises ERM as an integral part of a good management practice and its approach and framework implementation is documented in the Bank's ERM Policy and Internal Capital Policy.

- Risk Identification and Assessment

As an outcome of the annual risk identification and assessment process, the Top 10 risks of the Bank are assigned to functional groups that have responsibility and accountability for managing the risk. In addition, the Bank's Management Board defines the Bank's risk appetite and obtains approval from the Supervisory Board.

- Risk Control and Communication

The Head of ERM has set up a comprehensive reporting system, which ensures regular information to the Management Board and the Audit, Risk and Compliance Committee of the Supervisory Board based on an exhaustive and regularly updated documentation of the Bank's risks.

3.3 Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from loans and advances to banks and customers, and other assets receivable from related parties. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure. The maximum exposure to credit risk at the reporting date is the carrying value of, principally, loans and advances to banks and customers, and other assets receivable from related parties, as disclosed on the statement of financial position.

3.3.1 Management of credit risk

The Management Board is responsible for the management of credit risk. Credit risk management is governed by the Bank's Investment Policy and Credit Policies.

The basis for effective credit risk management is the identification of existing and potential credit risk inherent to any product or activity. This process includes the gathering of all relevant data concerning the products offered, the counterparties involved and all elements that may influence credit risk.

3.3.1.1 Investment activity

The Bank's Investment Policy contains a set of principles, rules, guidelines and procedures for identifying, measuring, approving and reporting credit risk within the Bank. The Investment Policy establishes a consistent framework to best protect customer and corporate assets.

The Investment Policy is approved by the Bank's Management Board and the eBay Inc.Treasurer.

3.3.1.2 Lending activity

The Bank purchases credit receivables and offers credit products to customers.

The Bank has documented internal credit policies that formalize the credit risk management process, articulates the objectives to measure, monitor, and manage credit risk related to the purchase and management of credits, and provides general principles. Its goal is to (i) protect the Bank against unwarranted customer and counterparty credit exposures; (ii) protect e-money balances and customer and corporate assets; (iii) maintain credit risk at a manageable level and within the Bank's risk appetite; and (iv) identify and avoid a material credit failure that exceeds the Bank's risk appetite.

The Bank has put in place an infrastructure to support the credit activity including a Credit Risk Committee ("CRC") to monitor the credit risk environment for the Bank and provide direction for the activities to mitigate, to an acceptable level, the risks that may adversely affect the Bank's ability to achieve its goals.

The Bank's CRC comprises the following members:

- Chief Risk Officer (Chairman);
- Chief Executive Officer;
- Chief Financial Officer;
- Head of Legal;
- Head of Compliance;
- Head of Credit Business;
- Chief Administrative Officer;
- Head of Treasury;
- Head of Enterprise Risk Management;
- Chief Internal Audit Officer; and
- Credit Controller – Finance.

3.3.2 Impaired and past due exposure

As at December 31, 2014, the collective impairment (related to principal and interests) amounts to USD 161,427,599 (2013: USD 116,754,131).

Impairment for specific credit risk is recorded if there is an objective indication that the Bank may not get back the total amounts due based on the contractual terms (Refer to note 2.5 above).

Past due exposures are recorded when a counterparty has failed to make a payment when contractually due. Past due exposures on loans and advances to banks are not considered impaired, unless other information is available to indicate a contrary view. The triggering event for reclassifying from "past due" to "impaired" will be identified on a case by case basis.

	2014		
In thousands of USD	*Loans and advances to banks*	*Loans and advances to customers*	*Other assets*
Neither past due nor impaired	2,108,042	19,500	394,493
Past due but not impaired	-	-	-
Individually impaired	-	-	-
Collectively impaired	-	2,935,734	-
Gross	***2,108,042***	***2,955,234***	***394,493***
Allowance for impairment	-	(161,427)	-
Net	***2,108,042***	***2,793,807***	***426,309***

	2013		
In thousands of USD	*Loans and advances to banks*	*Loans and advances to customers*	*Other assets*
Neither past due nor impaired	2,497,722	22,445	551,399
Past due but not impaired	-	-	-
Individually impaired	-	-	-
Collectively impaired	-	2,038,764	-
Gross	***2,497,722***	***2,061,209***	***551,399***
Allowance for impairment	-	(116,754)	-
Net	***2,497,722***	***1,944,455***	***551,399***

3.3.3 Credit risk mitigation techniques

3.3.3.1 Balance sheet netting agreement

The Bank is eligible to present net on the balance sheet certain financial assets and financial liabilities according to the note 2.4 "Offsetting of financial instruments". The following table provide information on the total impact of offsetting for assets and liabilities subject to netting agreements as at December 31, 2014, under IFRS.

In thousands of USD	*Gross exposure*	*Offsetting impact*	*Net exposure*
Assets	2,162,451	1,910,434	252,017
Liabilities	2,060,610	1,910,434	150,176

3.3.3.2 Master netting agreement

The Bank has entered into a master netting agreement dated July 2, 2007 ("MNA") with a number of eBay Group companies. This agreement is structured on a multilateral basis, operating as a mutual guarantee of borrowings by group companies to the Bank. The MNA is neither eligible as a

credit risk mitigation technique for capital adequacy purpose, nor for balance sheet netting under IFRS.

Current eBay Group company participants include:

- eBay International AG (CH);
- PayPal International Limited (SG);
- PayPal Australia (AU);
- PayPal Europe Limited (GB);
- PayPal CA Limited (CA);
- Internet Auction Co. Limited (KR); and
- eBay KTA UK (GB).

Non eBay Group participants include:

- Skype Communications S.à r.l. (LU).

According to the MNA, in case of counterparty insolvency, the Bank is allowed to set off any amount it owes (whether actual or contingent, present or future and including, if applicable and without limitation, the liquidation amount and any amount due and payable on or before the liquidation date but remaining unpaid) to a counterparty against any amount due by any other counterparty (whether actual or contingent, present or future and including, if applicable and without limitation, the liquidation amount and any amount due and payable on or before the liquidation date but remaining unpaid) to the Bank.

3.3.4 Credit risk concentration

Credit risk concentration criteria imply that groups of connected or interconnected parties, as defined in Article 4(45) of Directive 2006/48/EC, are regarded as a single counterparty in the management of credit risk. To manage concentration risk, the Bank aims to spread credit risk across several counterparties and countries.

3.3.4.1 Investment activity

Credit risk rating is a classification that results from a qualified assessment and formal evaluation, based on:

a) Analysis of each obligor's financial history, especially regarding its ability to meet debt obligations and probability of default;
b) The quality and safety of an asset (debt or equity securities), based on the issuer's financial condition indicating the likelihood that a debt issuer will be able to meet scheduled interest and principal repayment.

Currently the Bank only invests with banking counterparties located in countries with a sovereign rating of minimum AA according to Moody's, S&P & Fitch.

In addition to the prudential concentration limits, the Bank has also set policy limits at maximum 20% (of the total investment portfolio) for A-rated banking counterparties, as maximum concentration thresholds.

3.3.4.2 Lending activity

The Bank's receivables purchased are composed of a very large group of homogenous smaller-balances on US residents that are classified as retail customers and a small group of primarily small and medium size businesses established in the US. The Bank has also started offering a consumer credit product to retail consumers and a cash advance product to small and medium size businesses in the United Kingdom.

3.4 Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices and foreign exchange rates will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.The Bank does not apply hedge accounting.

3.4.1 Management of interest rate risk

The Bank's funding policy on all intercompany and credit activities significantly reduces the overall exposure to rate fluctuation. While the current processes are in place the activities are limited to plain vanilla intercompany deposits taking and credit products. The Bank does not pay interest on e-money balances.

The main sources of interest rate volatility risk at the Bank are:

a) Repricing risk, evidencing a timing difference in the fixing of interest rates between assets and liabilities; and
b) Changes in the structure of yield curves.

According to the Investment Policy, the Bank is required to maintain its non-trading book weighted average maturity shorter than 12 months. Exceptions to the Investment Policy must be reported and approved by the Management Board and Head of Treasury.

However the Bank's earnings are interest rate sensitive due to the structure of the Bank's balance sheet whereby the liabilities (e.g. e-money liabilities and other liabilities) are predominantly noninterest bearing as opposed to the assets which are predominantly interest-bearing (i.e. cash and cash equivalents, and loans and advances to banks/to customers).

Moreover, in order to assess the impact of interest rate risk arising from non-trading book activities on the economic value of the prudential own funds, the Bank performs stress tests. In accordance with CSSF Circular 08/338, credit institutions must submit their non-trading book activities to a stress test on interest rate risk. Based on the results of this test, the CSSF determines in particular to which extent the interest rate risk is likely to result in a decline in the economic value of an institution by more than 20% of their own funds. In the stress test calculation, institutions shall take into account all their wealth items except the items of the prudential trading book. The interest rate scenario to apply is an increase and a decrease by 200 basis points of all interest rates (parallel shift of yield curves). If, for a given currency, this scenario implies a negative interest rate assumption, the relevant rates should be limited to 0% and a comment should be added in the reporting table.

Figures below represent IRR weighted positions after 200 bps movements:

In thousands of USD	2014 Increase	2014 Decrease	2013 Increase	2013 Decrease
USD	(1,478)	510	(680)	252
EUR	(18,774)	(860)	(1,495)	161
GBP	(4,021)	870	(850)	215
Others	-	-	-	-
Total	***(24,273)***	***520***	***(3,025)***	***628***

Please note that this stress test reflects the sensitivity of the Bank current balance sheet per currency to a change in interest rates. It does not indicate gains or losses.

3.4.2 Management of currency risk

Any financial asset or liability is denominated in a specific currency, and exchange rate risk results from a change in the exchange rate of that currency to the functional currency of the Bank, the USD.

Foreign exchange derivatives are only used to manage currency exposures. Very limited currency risk is taken in the asset and liability position of the Bank, by applying the following principles, and within the Bank's internal limit of USD 10,000,000 or equivalent (please refer to note 5.2.2.2):

a) Loans, deposits and investments in currencies other than the functional currency of the Bank must be hedged by a funding in the corresponding currency;
b) To cover foreign exchange exposures arising from e-money customer transactions, the Bank has a service level agreement with PPPL, its indirect parent.

Exceptions to that general rule must be approved by the Management Board and the eBay Inc.Treasurer.

The table below shows all assets and liabilities at carrying value, classified by currency respectively as at December 31, 2014 and December 31, 2013:

In thousands of USD	2014				
	USD	EUR	GBP	Others	Total
Assets					
Cash and balances with central banks	-	27,786	-	-	27,786
Financial assets held for trading - Derivatives	680	-	-	-	680
Available-for-sale financial assets	213,337	407,850	388,835	-	1,010,022
Investments in subsidiaries	20	-	-	-	20
Loans and advances to banks	455,304	1,069,753	523,076	59,909	2,108,042
Loans and advances to retail customers	2,743,451	25,332	25,024	-	2,793,807
Property, plant and equipment	4,176	-	-	-	4,176
Intangible assets	57	-	-	-	57
Other assets	61,568	177,175	103,493	52,257	394,493
Total assets	**3,478,593**	**1,707,896**	**1,040,428**	**112,166**	**6,339,083**
Liabilities					
Financial liabilities held for trading - Derivatives	760	-	-	-	760
Due to banks	-	-	-	-	-
Due to customers	160,310	-	-	-	160,310
E-money liabilities	330,729	1,431,621	1,002,381	106,445	2,871,176
Current income tax liabilities	-	16,426	-	-	16,426
Other liabilities	91,995	279,449	37,907	4,207	413,558
Total liabilities	**583,794**	**1,727,496**	**1,040,288**	**110,652**	**3,462,230**
Net forward exchange contracts positions	**(23,969)**	**24,937**	**(968)**	**-**	**-**
Net balance sheet positions	**2,870,830**	**5,337**	**(828)**	**1,514**	**2,876,853**

In thousands of USD	2013				
	USD	EUR	GBP	Others	Total
Assets					
Cash and balances with central banks	-	23,920	-	-	23,920
Financial assets held for trading - Derivatives	491	-	-	-	491
Available-for-sale financial assets	182,516	1,413	-	-	183,929
Investments in subsidiaries	20	-	-	-	20
Loans and advances to banks	605,827	1,156,063	731,066	4,766	2,497,722
Loans and advances to retail customers	1,908,110	17,030	19,315	-	1,944,455
Property, plant and equipment	2,975	-	-	-	2,975
Intangible assets	127	-	-	-	127
Other assets	56,307	231,226	177,307	86,559	551,399
Total assets	**2,756,373**	**1,429,652**	**927,688**	**91,325**	**5,205,038**
Liabilities					
Financial liabilities held for trading - Derivatives	673	-	-	-	673
Due to banks	-	73	-	-	73
Due to customers	260,145	-	-	-	260,145
E-money liabilities	265,654	1,298,434	919,613	87,523	2,571,224
Current income tax liabilities	-	11,511	-	-	11,511
Other liabilities	69,462	127,259	7,297	1,615	205,633
Total liabilities	**595,934**	**1,437,277**	**926,910**	**89,138**	**3,049,259**
Net forward exchange contracts positions	**(6,848)**	**7,805**	**(957)**	**-**	**-**
Net balance sheet positions	**2,153,591**	**180**	**(179)**	**2,187**	**2,155,779**

Currencies are disclosed separately when they represent more than 5% of the balance sheet in gross amounts. Currency exposures are managed and hedged daily accordingly.

3.4.3 Management of the trading risk

No trading risk is taken by the Bank. It is the Bank's policy not to hold a trading book.

3.5 Capital and liquidity risk

The primary goal of the Bank's liquidity management approach is to ensure that the Bank maintains sufficient cash and liquid assets to meet its current and future financial obligations at all times, in both normal and stressed circumstances, for every currency in which it has an exposure.

In the unlikely event that the Bank needs to manage a potential liquidity crisis, the Bank has prepared a liquidity continuity plan, the "Contingency Liquidity Policy" (the "CLP"). This plan comes into effect whenever the liquidity position of the Bank is threatened by market related or Bank specific circumstances. Its objective is to manage the liquidity sources of the Bank without endangering its business franchise, while limiting excessive funding costs.

3.5.1 Liquidity Policy and Funds Management

The following sets out the Bank's policies for liquidity and funds management:

- The Bank at all times ensures that its current assets divided by its current liabilities exceeds the liquidity ratio prescribed by the CSSF by a margin determined by the Bank's Management Board (Refer to point 3.5.4 for definition of current assets/liabilities);
- Current financial assets are valued at amortized cost; and
- The Bank is not engaging in speculative trading of financial instruments.

The Liquidity Policy takes into account the recommendations of the European Banking Authority ("EBA") as disclosed in the Annex of the CSSF Circular 09/403 while applying the proportionality principle.

This policy sets a robust framework for liquidity risk management at the Bank.

Notably included in this policy:

- Management Board and senior management oversight of liquidity;
- Procedures establishing an effective monitoring of the liquidity condition of the Bank, to ensure the Bank has adequate liquidity resources to meet its liquidity needs while, at the same time, avoiding, to the extent possible, an excess of liquidity;
- The use of liquidity risk management tools such as limits and liquidity scenario stress testing; and
- Monitoring, implementation and a review framework by the various stakeholders of this policy.

Three types of stress testing scenarios are applied:

- Market: crisis confined to financial markets (US, EU, UK, Asia), and is not a by-product of adversity at eBay/PayPal;
- Idiosyncratic: eBay/PayPal specific crisis (reputational) and potential downgrade; and
- Market/Idiosyncratic: combination of financial markets and eBay/PayPal specific crisis affecting all financial institutions, thus creating disruption in financial markets.

3.5.2 Contingency Liquidity Plan

As part of the Liquidity Policy, the Bank has implemented a Contingency Liquidity Plan ("CLP"). The main objective of the CLP is to minimize the liquidity repercussion of a specific Bank crisis by coordinated action demonstrating sufficient funding capacity that can replace any lost funding in the shortest possible time, while reducing risk and limiting reputational damage.

Currently, the Bank maintains a highly liquid portfolio of financial assets; approximately 55% of the portfolio is made up of short term investments (above 1 month and below 12 months maturity), while 45% is available on demand. The Bank has a subordinated loan facility with PPPL up to USD 25,000,000. As at December 31, 2014, the Bank did not draw down on this facility. To further mitigate any potential liquidity risk, the Bank has implemented a procedure which allows the Bank to request additional liquidity, if required, via a drawdown on eBay's external line of credit with partner banks.

3.5.3 Sources of liquidity

The normal sources of liquidity for e-money liabilities and customer funds are cash held with highly-rated banking counterparties or high quality liquid assets. PayPal issues e-money by charging customer's credit card and debiting their bank account. PayPal makes e-money immediately available to the recipient customer within the PayPal system and receives funds from card processors or banks generally within the next following business days.

Customers can redeem their PayPal e-money to their local bank account. This process usually takes a few business days depending on the local bank clearing cut off time. Over and above the normal source of funding described above, PayPal has access to additional sources of liquidity outlined below.

The Bank currently solely funds it lending activities by means of Capital.

Short-term borrowings from the eBay Group ("Group")

In the unlikely event that more liquidity is needed or it is deemed necessary that an injection of capital is not the correct course of action, the Bank may borrow funds from its intermediate parent, PPPL in Singapore.

Borrowings of this nature are not used for a consecutive period of longer than 30 days, unless approved by the Bank's Management Board and the Bank CFO. The interest rates for these types of transactions are at a fair market rate following the "arm's length principle".

As a member of the Group, the Bank relies on PPPL or the Group as the lender of last resort and has no need to put in place authorized limits or credit facilities set-up with its external banking counterparties.

The Group's liquidity management approach looks to ensure that the Bank has the ability to meet its liabilities on a timely basis.

As indicated in note 3.5.2, the Bank can also draw down on the remaining USD 25 million subordinated debt facility with PPPL, which would add to its Tier 2 capital.

The Group has access to a USD 3 billion line of credit which matures in November 2016, which could be used to facilitate Group liquidity if needed, as well as being supported by an approved drawdown procedure.

3.5.4 Exposure to liquidity risk

The key measure used by the Bank to manage liquidity risk is the ratio of net liquid assets to current liabilities i.e. Due to customers, e-money liabilities and other liabilities. For this purpose, net liquid assets are considered as including cash and cash equivalents, as well as short term loans and advances to banks. The receivables purchased by the Bank do not have a finite term and are effectively a revolving line of credit with an estimated average life of 1 year.

During the year 2014, the Bank complied at all times with the CSSF liquidity requirement which requires a minimum liquidity ratio of 30%. At December 31, 2014, the ratio was 79.07% (2013: 88.01%).

The table below shows the Bank's assets and liabilities classified into relevant maturity grouping based on the remaining period to the contractual maturity date. Demand deposits, overnight deposits, e-money liabilities and other liabilities are reported in the column "Up to 1 month".

	2014					
In thousands of USD	*Up to 1 month*	*1-3 months*	*3-6 months*	*6-12 months*	*Above 12 months*	*Total*
Due to customers	244	10,000	150,066	-	-	160,310
E-money liabilities	2,871,176	-	-	-	-	2,871,176
Other	430,744	-	-	-	-	430,744
Total liabilities	*3,302,164*	*10,000*	*150,066*	-	-	*3,462,230*
Total assets held for managing liquidity risks	*4,698,425*	*440,738*	*593,059*	*156,720*	*450,142*	*6,339,084*

	2013					
In thousands of USD	*Up to 1 month*	*1-3 months*	*3-6 months*	*6-12 months*	*Above 12 months*	*Total*
Due to customers	-	10,035	250,110	-	-	260,145
E-money liabilities	2,571,224	-	-	-	-	2,571,224
Other	217,890	-	-	-	-	217,890
Total liabilities	*2,789,114*	*10,035*	*250,110*	-	-	*3,049,259*
Total assets held for managing liquidity risks	*4,385,466*	*632,795*	*56,589*	*130,188*	-	*5,205,038*

3.6 Operational risk

The following key operational risks have been identified, assessed and are being controlled:

3.6.1 Outsourcing Risk

The Bank outsources certain key functions to Group companies and the Management Board has put in place Service Level Agreements ("SLA") to manage these services provided. SLA performance is monitored on a monthly basis and reported as a key part of the Bank's OSM program. The performance reporting is undertaken by the Bank's Outsourcing Manager. An appropriate Outsourcing Policy is in place, in line with CSSF Circular 12/552 as amended by CCSF Circular 14/597, and all SLA are reviewed annually to validate the respective input, and ensure they are up-to-date and in line with business requirements.

The key identified risks associated with Outsourcing are:

a) Customer Service/Operations Risk;
b) Business Continuity/Disaster Recovery Risk;
c) Site Functionality Risk;
d) Information Security Risk;
e) Transaction Processing Risk;
f) Fraud Risk;
g) Merchant Services/Acquiring Risk; and
h) Regulatory Compliance Risk.

Other operational risks include, but are not limited to:

3.6.2 Legal Risk

The risks managed by the Bank's Legal team include compliance with existing and new legislation and regulation, both in terms of compliance of the Bank's products and services and the compliant operation of the Bank itself, risks arising from the Bank's extensive contractual relationships with merchants, channel partners, bank processors and other service providers and the risk of breaches of contractual requirements, risks related to a wide range of consumer protection requirements, including the risk of the Bank's user agreement with its customers being non-compliant or unenforceable, and the risk of litigation, claims and regulatory sanction in relation to the business of the Bank and its products. It also includes the risk of non-compliance with company law in relation to the corporate administration, company secretarial and governance requirements of the Bank and the various PayPal entities related to the Bank.

The Bank has appointed a Head of Legal to oversee the legal risks of the Bank and ensure adequate measures are taken to monitor that the Bank contuse to operate in line with legal and regulatory requirements.

3.6.3 Compliance Risk

The Bank is committed to complying with all rules and regulations governing its services. The Bank's Compliance function works to ensure that the Bank complies with all applicable laws and regulations. The Compliance Officer of the Bank is responsible for ensuring that adequate processes are in place to assist the Bank meet its applicable regulatory requirements. The Compliance Officer also identifies best practices within the market (where relevant) for policies, processes and procedures.

3.6.4 Settlement risk

Settlement risk is the risk that the Bank will not receive the funds it has requested for collection from third parties, thereby resulting in an imbalance in its accounts.

The Bank has an agreement in place with PPPL, its indirect parent, to manage its transaction processing and funds settlement with third party banks, in line with market standard practice.

3.7 External risk

3.7.1 Reputational risk

This is the risk of loss to the Bank arising from reputational damage or negative publicity. This risk is managed by the Bank's Legal Department, in conjunction with its Public and Government Relations advisers.

3.7.2 Country risk

From the Bank's perspective, country risk (also referred as political risk) refers to the likelihood that changes in the business environment adversely affect operating profits or the value of assets in a specific country.

3.7.3 Regulatory risk

This is defined as the risk due to:

- Different interpretations of the scope of Directives and their implementation within the European Union;
- Termination of the banking license;
- Breach of compliance obligations; and
- Breaching terms of authorisation.

The Bank ensures regular interaction with the relevant regulatory authorities for anticipating and mitigating regulatory risk. The Bank is also analysing cross industry best practices to leverage the ones relevant for the Bank. The Bank also develops and manages existing national and international government relationships, and constantly seeks opportunities to strengthen the Bank's role and reputation with other relevant agencies. The Bank maintains contact with the external professional community in the policy area to keep updated on new developments and opportunities that may be relevant for the Bank.

3.8 Strategic risk

Strategic risk refers to the risk of wrong business strategy/product investments, as well as material changes in the market/competitive environment. In order to mitigate strategic risk, the Bank has in place a comprehensive strategic decision making process providing respective assessment metrics to management and has allocated dedicated resources to support appropriate decisions in the best possible manner.

3.9 Fair value of financial assets and liabilities

Due to the short maturity of the Bank's financial assets and liabilities, the carrying amount of these financial instruments approximates to the fair value.

4 Critical accounting estimates

The preparation of financial statements in conformity with IFRS requires the Bank to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, the Bank evaluates its estimates, including those related to credit receivables impairment, legal contingencies, income taxes, value added taxes, revenue recognition and stock-based compensation. The Bank bases its estimates on historical experience and on various other assumptions that the Bank believes to be reasonable under the circumstances. Actual results could differ from those estimates. The estimates and assumptions that might have a significant risk of causing material adjustment relate to impairment on loans and advances to customers and share-based payments. For details, we refer respectively to section 2.5.2 and 28.3.

5 Supervision and Capital adequacy

5.1 Supervision

As a credit institution, the Bank is subject to the prudential supervision of the CSSF.

The prudential supervision includes the quarterly control that the Bank ensures the availability of own funds at least equal to the sum of the capital adequacy requirements. The Bank met all regulatory capital requirements since its authorisation to operate as a credit institution in Luxembourg.

5.2 Capital adequacy

The Bank is required at all times to maintain eligible own funds at least equal to the amount of its overall capital requirements, on a stand-alone basis.

As per CSSF Circular 14/593, the prudential reporting scheme regarding capital adequacy has been updated in order to make the Luxembourg prudential reporting scheme on capital adequacy compliant with the Common Reporting ("COREP") scheme as defined by EBA.

In thousands of USD	*2014*	*2013*
Tier I Capital		
Share capital	2,537,200	1,937,200
Share premium	27	27
Reserves	63,436	33,888
Retained earnings	154,032	88,245
Deductions from Tier I Capital	(153)	(127)
Total eligible Tier I Capital	***2,754,542***	***2,059,233***
Calculated Tier 2	***39,798***	-
Total Own Funds	***2,794,340***	***2,059,233***
Risk weighted assets	***2,912,487***	***2,223,288***
Total minimum capital requirements	***349,430***	***196,690***
of which		
Credit risk	305,819	177,863
Settlement risk	-	-
Market risk	-	-
Operation risk	43,611	18,827
Capital ratio (10.5%min.)*	***83.97%***	***83.76%***

** 2013 figures are disclosed with a simplified ratio of 8% in accordance with the circular 06/273 as amended*

As of December 31, 2014, the Bank had no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the Bank financial condition, results of operations, liquidity, capital expenditures or capital resources.

To calculate the solvency ratio, the Bank elected the following approaches for each risk identified:

5.2.1 Credit risk

The Bank elected the Standardised Approach.

By taking the Standardised Approach, the Bank is applying the simplified approach (Central Administration – Sovereign country debt-rating based approach).

5.2.2 Market Risk

5.2.2.1 Coverage of positions risk associated with non-trading book business

Coverage risk of interest rate risk

The Bank limits its net asset value exposure to interest rate risk by match-funding the duration of its assets and liabilities. According to the Investment Policy, the Bank is required to maintain its non-trading book weighted average maturity shorter than 12 months.

However the Bank's earnings are interest rate sensitive due to the structure of the Bank's balance sheet whereby the liabilities (e.g. e-money liabilities and Other liabilities) are predominantly non-interest bearing as opposed to the assets which are predominantly interest-bearing (i.e. cash and cash equivalents, or loans and advances to banks and customers).

Coverage of the risk linked to price changes

As at December 31, 2014, the Bank had no equity positions and USD 1,010,022,390 in bonds positions.

The Bank limits its exposure to price change risk by investing in highly rated and liquid securities, with a contractual maturity below 1 year for 42% of the total fixed and floating income positions.

5.2.2.2 Coverage of foreign exchange risk

Foreign exchange risk is covered by capital. A capital requirement for foreign exchange risk is applied if the overall net currency position exceeds 2% of the Bank's capital. As long as this 2% limit is not reached, no capital requirement is applied in respect of foreign exchange risk.

Standardised method

The capital requirement for foreign exchange risk shall be calculated in 3 steps:

- First step: calculation of the net open position in a given currency;
- Second step: calculation of the overall net currency position; and
- Third step: calculation of the capital requirement.

Net short and long positions in each currency other than the capital currency shall be translated at spot rates into the capital currency; they shall then be summed separately to form the total of the net short positions and the total of the net long positions respectively.

Measures taken by the Bank to manage foreign exchange risk

The Bank limits its foreign exchange risk by hedging exposures such as loans, deposits and investments in currencies other than the functional currency if the overall net position exceeds USD 25 million or equivalent.

To mitigate foreign exchange exposure to e-money liabilities transactions, the Bank has put in place a Service Level Agreement with PPPL, its indirect parent, to cover the resulting foreign exchange exposure. The Bank transfers customer foreign exchange transactions to PPPL, and PPPL processes the transactions at the same rates provided to the Bank's customers. To cover the foreign exchange risk, PayPal has entered into a global agreement with a partner bank whereby the partner provides foreign exchange rates which are quoted on the PayPal foreign exchange conversion product after PayPal adds its own spread or mark-up on the wholesale exchange rates.

Exceptions to that general rule must be approved by the Management Board and the Treasurer. No trading risk is taken by the Bank. It is the Bank's policy not to hold any trading book.

Internal foreign exchange exposure limits are defined within the FX Treasury policy.

5.2.3 Operational Risk

The Bank elected the Basic Indicator Approach (the "BIA").

As of December 31, 2014, the Bank has completed more than three financial years of operation. As a result the calculation of Operational Risk capital is based on 15% of the simple arithmetic average over three years of the sum of net interest income and net non-interest income.

The calculation of the three-year average is based on the last three twelve-monthly observations at the end of each financial year.

The Bank has successfully implemented the calculation methodology and meets the minimum capital requirements that are monitored on a daily basis and reported in the monthly Enterprise Risk Management Report.

The Bank's policy is to hold sufficient capital to meet current and future development of the business, while maintaining investor, creditor and market confidence.

There have been no material changes in the Bank's management of capital during the year.

6 Cash and cash equivalents

As at December 31, 2014, and 2013, cash and cash equivalents were composed as follows:

In thousands of USD	2014	2013
Cash and balances with central banks	27,786	23,920
Available-for-sale financial assets	85,977	10,000
Loans and advances to banks	1,302,613	2,222,536
Total cash and cash equivalents	**1,416,376**	**2,256,456**

Cash and cash equivalents include available balances with central banks, loans and advances to banks, available-for-sale financial assets with a term of less than three months from the date on which they were acquired, and money market funds, and exclude bank overdrafts. Cash and cash equivalents also include accrued interest receivables equal to USD 774,545 at December 31, 2014 (2013: USD 643,183).

In accordance with EU monetary policy, the Bank is required to place minimum prescribed amount on deposit with the central bank where the Bank operates.

7 Financial derivatives held for trading

As at December 31, 2014 and 2013, financial derivatives held for trading were composed as follows:

In thousands of USD	2014	2013
Foreign exchange - Unrealized gain	680	491
Foreign exchange - Unrealized loss	760	673

As at December 31, 2014, total net unrealized loss amounted to USD 79,720. Open positions as at December 2014 are detailed as follows. "Level 2" fair value measurement is based on observable market data (e.g. forward rates).

Position	Currency	Fair value measurement	Notional in currency (in thousands)	Currency	Notional in USD (in thousands)	Maturity date
Long	EUR	Level 2	37,100	USD	(45,820)	27/01/2015
Short	EUR	Level 2	(16,600)	USD	20,501	27/01/2015
Long	GBP	Level 2	34,112	USD	(53,062)	27/01/2015
Short	GBP	Level 2	(34,736)	USD	54,329	27/01/2015

As at December 31, 2014, the only financial derivatives to which the Bank is exposed were foreign exchange derivatives. The financial derivatives wrong risk exposure has been assessed as nil.

8 Available-for-sale financial assets

As at December 31, 2014 and 2013, available-for-sale financial assets were composed as follows:

In thousands of USD	*2014*	*2013*
Included in cash and cash equivalents	85,977	10,000
Available-for-sale financial assets	924,045	173,929
Total available-for-sale financial assets	***1,010,022***	***183,929***

Quoted prices in active markets for these identical assets are referred as "Level 1" in the table below:

In thousands of USD	*2014*	*Fair value measurement*	*Currency breakdown EUR*	*GBP*	*USD*	*1-3 months*	*3-6 months*	*6-12 months*	*Above 12 months*
Central government & central banks	393,136	Level 1	39,243	308,871	45,022	85,977	175,973	68,327	62,859
Multilateral Development Bank	341,421	Level 1	246,448	-	94,973		7,504	65,381	268,536
Public Service Entity	275,465	Level 1	122,167	79,964	73,334	-	-	22,531	252,934
Total Available-for-sale financial assets	***1,010,022***		***407,858***	***388,835***	***213,329***	***85,977***	***183,477***	***156,239***	***584,329***

Available-for-sale financial assets also include accrued interest receivables equal to USD 6,933,613 at December 31, 2014 (2013: USD 365,561).

9 Investments in subsidiaries

As at December 31, 2014 and 2013, investments in subsidiaries were composed as follows:

In thousands of USD	*2014*	*2013*
Investments in subsidiaries	20	20
Total investments in subsidiaries	***20***	***20***

As at December 31, 2014, there is no material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among the Bank and its subsidiaries.

10 Loans and receivables

10.1 Loans and advances to banks

As at December 31, 2014 and 2013, loans and advances to banks were composed as follows:

In thousands of USD	*2014*	*2013*
Included in cash and cash equivalents	1,302,613	2,222,536
Loans and advances to banks	805,429	275,186
Total loans and advances to banks	***2,108,042***	***2,497,722***

Loans and advances to banks also include accrued interest receivables equal to USD 863,676 at December 31, 2014 (2013: USD 510,397).

10.2 Loans and advances to customers

As at December 31, 2014 and 2013, loans and advances to customers were composed as follows:

In thousands of USD	*2014*	*2013*
Loans and advances to customers	2,793,807	1,944,455
Total loans and advances to retail customers	***2,793,807***	***1,944,455***

Loans and advances to customers also include accrued interest receivables equal to USD 120,215,774 at December 31, 2014 (2013: USD 86,108,587).

11 Property, Plant and Equipment

As at December 31, 2014 and December 31, 2013, property, plant and equipment were composed as follows:

In thousands of USD	*Standard software*	*Computer equipment*	*Furnitures & fixtures*	*Leasehold improvements*	*Construction in progress*	*Total*
Net book amount as at December 31, 2013	***15***	***288***	***463***	***1,327***	***882***	***2,975***
of which						
Acquisition cost	1,386	975	865	1,759	882	5,867
Accumulated depreciation	(1,371)	(687)	(402)	(432)	-	(2,892)
Year ended December 31, 2014						
Additions/ (Disposals)	1,902	(108)	58	70	(367)	1,555
Depreciation charge	(238)	398	(202)	(312)	-	(354)
Net book amount as at December 31, 2014	***1,679***	***578***	***319***	***1,085***	***515***	***4,176***
of which						
Acquisition cost	3,288	867	923	1,829	515	7,422
Accumulated depreciation	(1,609)	(289)	(604)	(744)	-	(3,246)

12 Intangible assets

As at December 31, 2014 and 2013, intangible assets were composed as follows:

In thousands of USD	*Customer list*	*Total*
Net book amount as at January 1, 2013	***194***	***194***
of which		
Acquisition cost	252	252
Accumulated depreciation	(58)	(58)
Year ended December 31, 2013		
Additions	-	-
Depreciation charge	(67)	(67)
Net book amount as at December 31, 2013	***127***	***127***
of which		
Acquisition cost	252	252
Accumulated depreciation	(125)	(125)
Year ended December 31, 2014		
Additions	-	-
Depreciation charge	(70)	(70)
Net book amount as at December 31, 2014	***57***	***57***
of which		
Acquisition cost	252	252
Accumulated depreciation	(195)	(195)

13 Other assets

As at December 31, 2014 and 2013, other assets were all current and were composed as follows:

In thousands of USD	*2014*	*2013*
Funds receivable related to transactions*	328,951	500,672
Accounts receivable*	51,112	47,435
Accrued income and pre-payments	5,667	2,484
Short term employee benefits	-	662
Other	8,764	146
Total other assets	***394,494***	***551,399***

** Positions disclosed are netted according to note 2.4 and 3.3.3.1.*

14 Other liabilities

As at December 31, 2014 and 2013, other liabilities were all current and were composed as follows:

In thousands of USD	*2014*	*2013*
Funds payable related to transactions*	314,294	129,358
Accounts payable*	69,464	58,665
Deferred income and accrued expenses	13,954	9,014
Short term employee benefits	6,257	3,303
Other taxes	4,419	5,020
VAT	953	29
Other	4,217	244
Total other liabilities	***413,558***	***205,633***

** Positions disclosed are netted according to note 2.4 and 3.3.3.1.*

15 Due to banks

As at December 31, 2014 and 2013, due to banks were solely composed of bank overdrafts:

In thousands of USD	*2014*	*2013*
Bank overdrafts	-	73
Total due to banks	*-*	***73***

16 Due to customers

As at December 31, 2014 and 2013, deposits from customers were solely composed of deposits from related parties of the Group.

In thousands of USD	*2014*	*2013*
Demand deposits	160,310	260,145
Total due to customers	***160,310***	***260,145***

Due to customers also include accrued interest payables equal to USD 309,638 at December 31, 2014 (2013: USD 144,861).

17 E-money liabilities

As at December 31, 2014 and 2013, e-money liabilities were solely composed of e-money accounts held by buyers and sellers using the PayPal website to initiate transactions. The e-money liabilities are current liabilities.

In thousands of USD	*2014*	*2013*
E-money liabilities	2,871,176	2,571,224
Total E-money liabilities	***2,871,176***	***2,571,224***

On September 16, 2009, the European Parliament and the Council of the European Union adopted the Directive 2009/110/EC on the taking up, pursuit and prudential supervision of the business of electronic money institutions amending Directives 2005/60/EC and 2006/48/EC and repealing Directive 2000/46/EC.

On May 20, 2011, Luxembourg adopted the transposition law of the Directive 2009/110/EC.

As per Directive 2009/110/EC, electronic money ("e-money") means electronically, including magnetically, stored monetary value as represented by a claim on the issuer which is issued on receipt of funds for the purpose of making payment transactions as defined in point 5 of Article 4 of Directive 2007/64/EC, and which is accepted by a natural or legal person other than the electronic money issuer.

While the Bank is a member of the Deposit Guarantee Association Luxembourg ("AGDL") due to legal obligations applying to banking institutions established in Luxembourg, e-money liabilities are not covered by the AGDL's protection scheme because they are not classified as bank deposits.

18 Subordinated liabilities

At December 31, 2014, the Bank had no subordinated liabilities (2013: USD 0), no accrued interest (2013: USD 0) and the unused portion of the facility amounted to USD 25,000,000 (2013: USD 25,000,000).

The initial facility is for an amount of USD 25,000,000. The Bank is able to draw down loan amounts from the facility by giving 5 working days' notice to PPPL. The Bank should repay any amounts drawn down under the facility on June 30, 2027.

19 Current income tax liabilities

The gross movement on the current tax liability is as follows:

In thousands of USD	*2014*	*2013*
At the beginning of the period	***11,511***	***5,780***
Foreign exchange differences	(1,241)	228
Payments	(755)	(758)
Income statement charge	6,911	6,261
At the end of the period	***16,426***	***11,511***

The tax expense is analysed as follows (reconciliation of effective tax rate):

In thousands of USD	*2014*	*2013*
Operating profit before income tax	128,973	105,888
Income tax using domestic corporation tax	(37,686)	(30,940)
Impact of non-deductible expenses	(568)	(598)
Impact of tax deductible expenses	31,343	25,277
Income tax expense in income statement	***(6,911)***	***(6,261)***

As from January 1, 2014, the applicable domestic corporation tax rate, including the Municipal Business Tax and the contribution to the national employment fund, is 29.22%.

20 Share capital and Reserves

20.1 Share capital

At December 31, 2014, the subscribed capital is USD 2,537,200,000, made up of 2,537,200 ordinary shares with a nominal value of USD 1,000 each.

PayPal 2 S.à r.l. subscribed to 2,537,191 shares for a total price of USD 2,537,191,000.

PayPal 3 S.à r.l. subscribed to eight shares for a total price of USD 18,000, out of which USD 10,000 was allocated to the share premium account.

PayPal (Europe) S.à r.l. subscribed to one share for a total price of USD 18,000, out of which USD 17,000 was allocated to the share premium account.

The following capital injections occurred in 2014:

Date	*Number of shares*	*Nominal value (USD)*
December 31, 2013	***1,937,200***	***1,937,200,000***
Shares issued on 24/06/2014	300,000	300,000,000
Shares issued on 04/11/2014	300,000	300,000,000
December 31, 2014	***2,537,200***	***2,537,200,000***

The authorised capital amounts to USD 10,000,000,000. All authorized shares have been issued and fully paid up.

20.2 Reserves

For the years ended December 31, 2014 and 2013, the breakdown of the reserves was as follows:

In thousands of USD	*2014*	*2013*
Share premium	27	27
Legal reserve	11,390	6,409
Other reserves	52,046	27,549
Revaluation reserve on available-for-sale financial assets	97	(70)
IFRS 2 share-based excess recharge	-	(3,207)
Retained earnings*	154,032	187,872
Total reserves	***217,592***	***218,580***

** In accordance with IFRS 2 the Bank elected to present 2014 increase in equity linked to Share Based Compensation within its retained earnings*

During the Annual General Meeting, the Bank is required to allocate 5% of the annual profit to the legal reserve until that reserve amounts to 10% of the subscribed capital. The legal reserve may not be distributed.

In accordance with the tax law in force since January 1, 2002, the Bank reduced its Net Wealth Tax burden by crediting it on the amount of the Corporate Income Tax due. In order to comply with the law, the Bank decided to allocate under a special reserve an amount that corresponds to five times the amount of reduced Net Wealth Tax. This reserve is non-distributable for a period of five years from the year following the one during which the Net Wealth Tax was credited.

21 Net interest income

For the years ended December 31, 2014 and 2013, the breakdown of the net interest income was as follows:

In thousands of USD	*2014*	*2013*
Interest on loans and advances to customers	270,327	185,978
Interest on loans and advances to banks	5,170	6,471
Interest on loans and advances to corporate customers	714	224
Interest on cash and balances with central banks	52	120
Interest on available-for-sale financial assets	607	31
Total interest income	***276,870***	***192,824***
Other expense	(4,110)	(2,889)
Interest on deposits from corporate customers	(3,223)	(863)
Total interest expense	***(7,333)***	***(3,752)***
Net interest income	***269,537***	***189,072***

22 Loan impairment charges

For the years ended December 31, 2014 and 2013, the breakdown of loan impairment charges was as follows:

In thousands of USD	*2014*	*2013*
Impairment on loans and advances to customers	(191,225)	(152,283)
Total loan impairment charges	***(191,225)***	***(152,283)***

23 Net fee and commission income

For the years ended December 31, 2014 and 2013, the breakdown of the net fee and commission income was as follows:

In thousands of USD	*2014*	*2013*
Customer transaction fees	2,082,859	1,702,874
Customer foreign exchange fees	434,261	363,395
Credit related fees and commissions	144,752	105,770
Total fee and commission income	***2,661,872***	***2,172,039***
Distribution and payment processing	(2,503,727)	(2,013,055)
Total fee and commission expense	***(2,503,727)***	***(2,013,055)***
Net fee and commission income	***158,145***	***158,984***

24 Net gain/(loss) on derivatives held for trading

For the years ended December 31, 2014 and 2013, the breakdown of derivatives held for trading gains/losses was as follows:

In thousands of USD	*2014*	*2013*
Foreign exchange derivatives held for trading Gains/(Losses) - Net	(1,285)	(183)
Total derivatives held for trading Gain/(Losses) - Net	***(1,285)***	***(183)***

25 Net gain/(loss) on foreign exchange

For the years ended December 31, 2014 and 2013, the breakdown of foreign exchange gains/losses was as follows:

In thousands of USD	*2014*	*2013*
Foreign exchange Gains/(Losses) - Net	462	(326)
Total foreign exchange Gains/(Losses) - Net	***462***	***(326)***

26 Other operating expenses

For the years ended December 31, 2014 and 2013, the breakdown of other operating expenses was as follows:

In thousands of USD	*2014*	*2013*
Other taxes	-	(2,679)
Total other operating expenses	***-***	***(2,679)***

27 Staff and other administrative expenses

27.1 Staff costs

For the years ended December 31, 2014 and, 2013, the breakdown of staff costs was as follows:

In thousands of USD	*2014*	*2013*
Wages and salaries	(13,888)	(10,880)
Compulsory social security costs	(4,312)	(2,296)
Equity-settled share based payments	(3,775)	(2,046)
Other staff costs	(1,690)	(1,205)
Pension costs - Defined contribution plans	(934)	(660)
Temporary workers	(290)	(241)
Total staff costs	***(24,889)***	***(17,328)***

27.2 Other administrative expenses

For the years ended December 31, 2014 and 2013, the breakdown of other administrative expenses was as follows:

In thousands of USD	*2014*	*2013*
Sales costs	(65,465)	(57,512)
Professional fees	(7,700)	(5,459)
Other	(3,741)	(2,564)
Travel and entertainment	(2,225)	(1,490)
Depreciation expense	(1,037)	(630)
Information and communication technology costs	(831)	(922)
Rental expenses and related expenses	(771)	(792)
Total other operating expenses	***(81,770)***	***(69,369)***

28 Remuneration plans in shares and options

28.1 Employee stock purchase plan

The Bank's employees participate in an employee stock purchase plan offered by eBay Inc. ("eBay"), our ultimate parent company, for all eligible employees. Under the plan, shares of eBay's common stock may be purchased over an offering period with a maximum duration of two years at 85% of the lower of the fair market value on the first day of the applicable offering period or on the last day of the six-month purchase period. Employees may purchase shares having a value not exceeding 10% of their gross compensation during an offering period. eBay's employee stock purchase plan contains an "evergreen" provision that automatically increases, on January 1, the number of shares reserved for issuance under the employee stock purchase plan by the number of shares purchased under this plan in the preceding calendar year.

During the year ended December 31, 2014, the Bank's employees purchased 6,933 shares (2013: 28,786) at an average price of USD 42.66 (2013: USD 33.34). During the year ended December 31, 2014 and 2013, the expense related to the activity under the Employee Stock Purchase Plan was USD 145,294 (2013: USD 192,157).

28.2 Other equity incentive plans

The Bank's employees participate in eBay Inc.'s equity incentive plans for directors, officers, employees and non-employees.

a) Stock options granted under these plans generally vest 25% one year from the date of grant (or 12.5% six months from the date of grant for grants to existing employees) and the remainder vest at a rate of 2.08% per month thereafter and are typically fully vested within four years, subject to continued employment with an eBay company on each vesting date. Stock Option grants generally expire 7 - 10 years from the date of grant; and
b) Restricted stock units (RSUs) generally become fully vested after four years, with 25% of the grant vesting on each anniversary of the grant date, subject to continued employment with an eBay company on each vesting date. At SVP level RSU vesting may also include a performance condition. The cost of restricted stock units is determined using the fair value of the common stock on the date of the grant. The compensation expense is recognized over the vesting period.

28.3 Valuation assumptions

The fair value of each option award is computed on the date of grant using the Black-Scholes option pricing model. The following assumptions were used for each respective period:

	2014	*2013*
Risk-free interest rate	1.17%	0.55%
Expected lives (in years)	3.86	3.87
Dividend yield	-	-
Expected volatility	28.43%	33.00%

The computation of expected volatility for the years ended December 31, 2014 and the year ended December 31, 2013, is based on a combination of historical and market-based implied volatility from traded options on eBay stock. The computation of expected life for the year ended December 31, 2014 and 2013 was determined based on historical experience of similar awards, giving consideration to the contractual terms of the stock-based awards, vesting schedules and expectations of future employee behaviour. The range provided above results from the behaviour patterns of separate groups of employees that have similar historical experience. The interest rate for periods within the contractual life of the award is based on the U.S. Treasury yield curve in effect at the time of grant. Weighted average fair value of the options granted during the year ended December 31, 2014, and 2013 was USD 13.17 and USD 14.48, respectively.

The stock-based compensation charge is amortized in accordance with the accelerated method over the vesting period of the related options, which is generally four years. The impact of recognizing the fair value of the option grants and stock grants under the employee stock purchase plan as an expense under IFRS 2 is USD 3,775,480.79 and USD 2,046,337 for the years ended December 31, 2014, and 2013, respectively.

28.4 Stock option activity

The following table summarizes activity for stock options granted under the equity incentive plans for the year ended December 31, 2014 and 2013. "WAEP" stands for weighted average exercise price and "WARCT" stands for weighted average remaining contractual term.

	2014			2013		
	Shares	*WAEP (In USD)*	*WARCT (In years)*	*Shares*	*WAEP (In USD)*	*WARCT (In years)*
Outstanding at beginning of year	***153,816***	***32.11***	***4.64***	***67,821***	***32.21***	***3.74***
Granted	27,673	55.36		2,948	55.71	
Transfers, Net	2,700	31.76		102,230	31.01	
Cancelled	-	-		(1,205)	23.88	
Exercised	(15,713)	35.55		(17,978)	28.59	
Outstanding at end of year	***168,476***	***35.60***	***4.22***	***153,816***	***32.11***	***4.64***
Options exercisable at end of year	***105,674***	***30.21***	***3.67***	***78,362***	***28.28***	***4.22***

During the year ended December 31, 2014, the aggregate intrinsic value of options exercised was USD 306,493 (2013: USD 456,385), determined as of the date of option exercise.

The aggregate intrinsic value was calculated as the difference between the exercise price of the underlying awards and the quoted price of the common stock for options that were in-the-money at December 31, 2014.

At December 31, 2014, there was approximately USD 357,335 (2013: USD 157,575) of total unrecognized compensation cost related to stock options granted under these equity incentive plans. That cost is expected to be recognized over a weighted-average period of 1.43 years.

The following table summarizes information about stock options outstanding at December 31, 2014:

	Shares outstanding	WARCT (in years)
USD 0.63 - USD 14.48	13,847	1.18
USD 14.49 - USD 28.34	1,300	2.17
USD 28.35 - USD 42.19	113,073	3.95
USD 42.20 - USD 56.04	40,256	6.12
	168,476	***4.22***

28.5 Restricted stock units activity

The following table summarizes activity for restricted stock units granted under the equity incentive plans for the years ended December 31, 2014 and 2013. "WAGDFV" stands for weighted average grant date fair value.

	2014		2013	
	Shares	WAGDFV (in USD)	Shares	WAGDFV (in USD)
Outstanding at beginning of year	***182,211***	***39.53***	***135,255***	***29.96***
Granted	136,932	53.51	35,200	55.18
Transfers, net	16,287	49.39	80,483	36.36
Cancelled	(23,956)	47.77	(11,707)	38.88
Vested	(84,832)	35.37	(57,020)	27.87
Outstanding at end of year	***226,642***	***49.37***	***182,211***	***39.53***

At December 31, 2014, USD 6,893,314 (2013: USD 2,537,087) of unrecognized share-based payment expense, net of estimated forfeitures, related to non-vested restricted stock units, is expected to be recognized over a weighted-average period of approximately 1.89 years.

29 Related party disclosures

29.1 Parent entities and other related parties

The ultimate parent of the Bank is eBay, the indirect parent company of the Bank is PPPL, and the direct parent company of the Bank is PayPal 2 S.à r.l..

During the year ended December 31, 2014, total amounts of transactions which have been entered into with related parties ("RP") were as follows:

In thousands of USD		*2014*			
Entity	***Country***	***Income from RP***	***Expenses to RP***	***Amounts owed by RP***	***Amounts owed to RP***
Ultimate parent party					
eBay Inc.	US	-	-	9	131
Parent party					
PayPal Pte. Ltd.*	SG	-	2,381,179	222,656	150,066
Other related parties					
Bill Me Later, Inc.*	US	-	84,378	17,697	-
eBay Corporate Services GmbH	DE	-	-	-	2
eBay Europe S.à r.l.	LU	20,899	-	674	9,041
eBay International AG*	CH	661	-	11,664	-
eBay International Treasury Center S.à r.l.	LU	-	124	159	10,000
eBay Partner Network, Inc.	US	-	-	489	-
eBay Services S.à r.l.	LU	-	-	-	-
eBay Sweden AB	SE	107	-	-	-
eBay Treasury S.à r.l.	LU	-	-	1	-
GSI Commerce Solutions Interna	ES	309	-	126	766
GSI Commerce Solutions, Inc.	ES	363	-	12	127
Marktplaats B.V.	NL	394	-	-	1
PayPal (UK) Limited	GB	-	-	-	115
PayPal 4 S.à r.l.*	LU	714	927	-	110
PayPal Canada Limited	CA	-	-	-	36
PayPal Deutschland GmbH	DE	-	-	-	65
PayPal Europe Services Limited	IE	-	11,834	-	-
PayPal Payments Pte. Ltd.	SG	-	-	-	93
PayPal Societas Europea	GB	-	54,107	102	5,244
PayPal, Inc.	US	-	-	152	3,013
Zendor/GSI Commerce Limited	ES	13	-	103	16
Zong SA	CH	-	-	2	-
Total related parties		***23,460***	***2,532,549***	***253,846***	***178,826***
Key management personel		-	6,600	-	1,190
Total		***23,460***	***2,539,149***	***253,846***	***180,016***

** Positions disclosed are netted according to note 3.3.3.1.*

For the year ended December 31, 2014, the Bank did not make any provision for doubtful debt relating to amounts owed by related parties.

Expenses to related parties are mainly processing or sales and marketing costs falling under the various Distribution Agreements or SLA between the Bank and any of the related parties. Income from related parties is mainly customer transaction fees.

In addition, as part of the Contingency Liquidity Plan (please refer to note 3.5.2), the Bank has a subordinated loan facility with PPPL up to USD 25,000,000. As at December 31, 2014, no amount has been drawn from this facility.

During the year ended December 31, 2013, total amounts of transactions which had been entered into with related parties ("RP") were as follows:

In thousands of USD		2013			
Entity	***Country***	***Income from RP***	***Expenses to RP***	***Amounts owed by RP***	***Amounts owed to RP***
Ultimate parent party					
eBay Inc.	US	-	-	606	517
Parent party					
PayPal Pte. Ltd.*	SG	-	1,934,375	418,378	250,252
Other related parties					
Bill Me Later, Inc.*	US	-	36,828	15,182	-
eBay Corporate Services GmbH	DE	-	-	-	6
eBay Europe S.à r.l.	LU	6,388	-	1,922	24
eBay International AG*	CH	9,691	-	7,372	-
eBay International Treasury Center S.à r.l.	LU	-	35	-	10,035
eBay Partner Network, Inc.	US	-	-	409	-
eBay Services S.à r.l.	LU	2	-	-	-
eBay Sweden AB	SE	58	-	-	-
eBay Treasury S.à r.l.	LU	-	-	3	-
GSI Commerce Solutions International, S.L.	ES	567	-	-	-
Marktplaats B.V.	NL	667	-	170	-
PayPal (UK) Limited	GB	-	75	-	9
PayPal 4 S.à r.l.*	LU	224	229	5	-
PayPal Canada Limited	CA	-	-	32	140
PayPal Deutschland GmbH	DE	-	-	-	1
PayPal Europe Services Limited	IE	-	12,590	-	2,449
PayPal International Limited	SG	-	84	-	-
PayPal International S.à r.l.	LU	-	-	10	-
PayPal Payments Pte. Ltd.	SG	-	-	-	102
PayPal Societas Europea	GB	-	44,983	1,394	5,361
PayPal Spain, S.L.	ES	-	-	-	1
PayPal, Inc.	US	-	-	652	6,625
StubHub Services S.à r.l.	LU	-	-	-	3
Zong GmbH	DE	-	464	289	7
Zong SA	CH	-	-	-	11
Zong SAS	FR	-	138	-	-
Total related parties		***17,597***	***2,029,801***	***446,424***	***275,543***
Key management personel		-	3,895	-	356
Total		***17,597***	***2,033,696***	***446,424***	***275,899***

** Positions disclosed are netted according to note 3.3.3.1.*

29.2 Key management personnel compensation

Key management personnel compensation for the years ended December 31, 2014 and 2013 is set out below. The key management personnel are the members of the Management Board and the Supervisory Board.

In thousands of USD	*2014*	*2013*
Short-term benefits	3,325	2,414
Post-employment benefits	162	64
Other long-term benefits	57	46
Share-based payments	3,056	1,371
Total compensation	*6,600*	*3,895*

No loans or advances have been granted to members of the Supervisory and the Management Boards, and no commitments have been entered into for these individuals by way of guarantees of any kind.

30 Commitments

During the year 2014, the Bank entered into foreign exchange derivatives in EUR and GBP. As of December 31, 2014, the net long EUR notional was EUR 20,500,000 (2013: net long EUR 5,650,000) and the net short GBP notional was GBP 624,000 (2013: net short GBP 580,000).

As of December 31, 2014, USD 12,982 million (2013: USD 8,921 million) of unused credit was available. While this amount represents the total unused credit available, we have not experienced, and do not anticipate, that all of our holders of individual lines will access their entire available credit at any given point in time. The individual lines of credit that make up this unused credit are unilaterally, immediately and unconditionally revocable. The Bank constantly monitors the customers' creditworthiness and has the ability to decrease/revoke the line of credit at any time and unilaterally.

31 Auditors' remuneration

For the years ended December 31, 2014 and 2013, the total auditors' remuneration was as follows:

In thousands of USD	*2014*	*2013*
Audit fees	320	350
Other services	-	49
Total remuneration	*320*	*399*

32 Staff

For the years ended December 31, 2014 and 2013, the breakdown of the average number of persons employed during the year was as follows:

Head count	*2014*	*2013*
Management	4	4
Employees	55	46
Total head count	***59***	***50***

The 2014 financial statements of the Bank were approved by the General Partner at the Management Board meeting held on April 1, 2015 in Luxembourg.

Rupert Keeley
Chief Executive Officer

Nicholas Staheyeff
Chief Financial Officer